G. R. S. App. F. IX-4]

1941 - 42

File No. 223

Previous References.

CB. 223-41/Sh/N4-(CB.)
CB. 3/98 42-43.

Serial Nos. 5

Later References.

CB. 98-43-(Sh.1-3) **PRESERVED**
CB. 98-43 (R.4.
Ex. 343, (5-7, 10).

GENERAL AND REVENUE SECRETARIAT

Serial Nos. 5

Part B for February 1943

SUBJECT.

Meetings of the (Govt of India) Reconstruction Committee vo. IV. and of the Trade & Tariffs Sub-committee (of the Reconstruction committee) held at Delhi in May 1942.

may be returned
[illegible]
17.5.43

PRESS NOTE.

POST-WAR RECONSTRUCTION.

The first meeting of the Reconstruction Committee, the formation of which was announced a short while ago, took place at Simla on the 23rd June. The Commerce Member was in the Chair, and the following officers of Government who are members of the Committee attended:-

Mr. C.E. Jones (Finance)
Sir Alan Lloyd (Commerce)
Mr. C.M.G. Ogilvie (Defence)
Mr. E.M. Jenkins (Supply)
Mr. H.C. Prior (Labour)
Mr. J.D. Tyson (Education, Health and Lands)
Sir Leonard Wilson (Chief Commissioner, Railways)
Dr. T.E. Gregory (Economic Adviser) and
Major General W.H.G. Baker.

Mr. T.S. Pillay and Mr. B.N. Adarkar were also present.

2. The meeting was concerned primarily with questions of organisation and arrived at the following conclusions. In order to avoid any misunderstanding as to the powers and significance of the various groups which would be called upon to elaborate plans, it was decided to change the title of the Reconstruction Committee into that of "Reconstruction Committee (Co-ordination)". The Committee agreed that the following Committees should be set up:-

(i) Reconstruction Committee (Labour and Demobilization).
(ii) Reconstruction Committee (Disposals and Contracts)
(iii) Reconstruction Committee (Public Works and Government purchases).
(iv) Reconstruction Committee (Trade, International Trade Policy and Agricultural Developments).

It was decided that these four planning Committees should be presided over -- in the absence of the Commerce Member -- by the Defence, Supply, Labour and Commerce Secretaries respectively. These Committees will consist of representatives of Departments of the Central Government, representatives of

Provincial and State Governments, commercial and industrial representatives and representatives of labour according to the nature of the work involved in each Committee. The meeting also approved of the suggestion that a Consultative Committee of Economists drawn from various Universities in the country and presided over by the Economic Adviser should be set up. The Reconstruction Committee (Co-ordination) will receive the reports of the other Committees and will be responsible for giving guidance, where necessary, to the work of the other Committees. The recommendations of the Committees will be considered by the Governor General in Council and such action as may be considered necessary taken thereon.

1. Labour and Demobilisation. -

(a) It will be necessary to inaugurate at once a proper statistical service relating to the increasing volume of employment in the industries primarily affected by war demands; e.g. Ordnance and Clothing Factories, Engineering, Textiles etc.

(b) It will be necessary to consider how far labour at present employed in a given direction can be re-employed in other directions without retraining: what, if any, arrangements for retraining can be instituted and what the direction of retraining should be: finally, whether any arrangements for relief works etc. will be necessary and, if so, where and under what conditions of pay, terms of employment etc.

(c) It will also be necessary to keep in close touch with the Army Authorities, so that their plans of demobilisation should not accentuate the problem of employment on the cessation of hostilities. It would appear desirable, therefore, that the Army should keep accurate record of the former occupations of recruits.

(d) It will be necessary to consider carefully how far existing facilities by means of which those in search of employment are put in touch with available jobs are

adequate in the light of an employment crisis such as may confront the country at the end of the war or thereafter.

II. Disposals and war contracts. -

It will clearly be necessary to make arrangements so as to prevent the whole economic structure from being demoralized by a sudden cessation of war production. The aim should be to taper off war production as commercial demand expands. Arrangements will also have to be made for the orderly disposal of stocks already on hand or accruing under war contracts, so as not to break prices and check incipient demand for new production manifesting itself.

III. Public Works and Government Purchasing Policies. -

It is not necessary to labour the point that acceleration, or, contrariwise, the decline of public works expenditure, and/or expenditure by Government departments generally, can powerfully influence the labour market and the economic situation generally. It is, therefore, a matter of great importance to arrive at an agreed public works policy, the object of which would be to accelerate public works as the various demands for war purposes taper off. It will be obvious that different types of public works will give very different degrees of employment, direct and indirect, according to the types of labour, materials etc. involved and investigations of these aspects of the matter will be required before an adequate policy can be evolved. It will also be necessary to take into account the possible acceleration of e.g. housing projects and of considering ways and means of stimulating private capital construction as fully as possible.

IV. Trade, Industrial, and Agricultural aspects of the immediate post-war situation.

The formulation of long-term trade and industrial policies is properly a matter for Government as a whole. But it is clear that practically every country in the world will be faced with an identical problem at the end of the war: and the practicability of the emergency measures adopted by each of them will in part depend upon the general attitude assumed

towards international trade. The importance of watching the development of thought and action in this field is particularly great for countries such as India, whose national income is liable to sharp fluctuations through changes in the level of international prices.

One special problem arising immediately out of the war situation also requires to be considered. It has been pointed out that the gradual improvement in the shipping situation which is to be expected at the end of the war will tend to increase the volume of imports. This will affect the position of industries which have expanded as a consequence of the present quasi-monopoly held by them and will raise the question of redundant plant, or, alternatively, the question of what tariff measures will be necessary or desirable, such industries consistently with due appreciation of the position of to safeguard the position of/the consumer under the then existing circumstances.

It will also be clear that changes in international trade policies and in the tariff policies of different countries will greatly affect the position of the growers of particular crops, e.g. cotton, wheat, oil-seeds. It will, therefore, be necessary to consider not only the direct impact effects, but also the possibilities of diverting agricultural production along new lines, if international developments should appear to be, on the whole, unfavourable to the maintenance of the present scale of production of internationally traded agricultural products.

Commerce Department.
Simla, June 24, 1941.

Letter No. F.62-42/W dated the 22nd April 1942 from the Secretary to Hon'ble the Resident in Mysore.

******

I am desired to state that on the basis of a memorandum prepared last year by the Economic Adviser to the Government of India (one copy of which is enclosed for reference), the Government of India decided to set up appropriate machinery for the investigation of the economic and administrative problems likely to arise at the cessation of hostilities.

2. The work of investigation has been entrusted to four main Reconstruction Committees whilst a fifth Committee, official in character, will act as a coordinating and steering agency. In addition to these four Committees, the composition of which is intended to reflect even official as well as unofficial opinion, there has been set up a Consultative Committee of Economists, intended to focus professional economic opinion on the various problems concerned.

3. The Government of India state that the constitution of these various Committees has necessarily taken time, but the composition of the Fourth Committee, dealing with problems of Trade, International Trade and Agriculture, is now practically complete and that it is intended to summon a first meeting of the Committee on Friday, May the 15th, 1942. The Government of India consider it desirable that the Government of Mysore should be given an opportunity of nominating an official representative to this Committee and I am accordingly to request you to inform this Residency whether the Government of Mysore would wish to be associated with the work of the Committee and, if so, whom they desire to nominate as their representative on the Committee. I am to request the favour of a very early reply, so as to enable the representative to attend the first meeting of the Committee.

******

" C O P Y "

3. The end of a war inevitably means some dislocation. (i) There is a check to recruiting, and, it is to be expected, some demobilisation of units. (ii) There is a check to the flow of war orders with consequential decline in the volume of production in the war industries, and these now cover a wider range and involve a larger number of persons than was the case during the last war. (iii) Even if production is not immediately cut down, the rate of consumption of war goods of all kinds is diminished, so that there will be an accumulation of stocks. Insofar as these are capable of meeting civilian demands, e.g. boots and shoes, the question arises whether an orderly disposal of such goods can be arranged so as not to prevent the resumption of normal trade relations. (iv) Insofar as production is reduced, unemployment will manifest itself in the war goods industries. The extent of such unemployment will depend on the decline in the output, and upon the degree to which labour in such industries can be diverted, directly or indirectly, to other employments. The extent to which such diversion is possible will depend, however, not only on the qualifications of the workers concerned, but on the general state of trade in India and abroad, and upon the volume of employment in the capital - goods industries (including e.g. housing, public works etc.). (v) There will be a gradual improvement in the shipping situation with the result that imports of manufactured articles may be expected to increase and exports of agricultural produce to go up, especially in view of the fact that Europe has been deprived of much of her normal supplies, e.g. of cotton and feeding stuffs by the blockade. On balance, it will be reasonable to assume that the cessation of the quasi-monopolistic position held by manufacturing firms in India as a consequence of the shipping shortage will lead to a deterioration of the industrial position.

4. These direct impact effects of a cessation of hostilities by no means exhaust the list of problems which have to be faced. On the contrary, the two most general consequences of a state of dislocation have yet to be mentioned. Firstly, there is the possibility of a sharp drop in prices, which, so far as its effects on the national income are concerned, aggravates the effects of declining production and declining employment. Secondly, there is the certainty that if production, employment and prices decline, the finances, both of the Centre and of the Provinces, will be adversely affected.

5. The argument has so far proceeded on a priori lines and it may be objected that though the end of a war involves some dislocation, this is not the same thing as proving that the degree of dislocation will be serious. For it may be argued that the cessation of hostilities, especially if hostilities have been prolonged, will find the world short of consumers' goods. This is especially likely to be the case after the present war, in which the demands of the armed forces constitute an unprecedented strain on the productive sources of the world, and when these latter are (in certain countries at least) exposed to all the consequences of air-attack. Thus, it may be argued, the natural forces of recovery, i.e. the consequence of large-scale "re-stocking" demand will counteract the factors making for dislocation. Even though the transition from peace to war involves some residual elements of dislocation, therefore, these may not be of great quantitative significance when weighed against the national economy as a whole.

6. It is a matter of historical fact that the initial dislocation at the end of the war of 1914-18 was not of long duration, and, indeed, the "post-war boom" of 1919-20 attained considerable dimensions. But, so, unfortunately

did the post-war depression which began in 1920. No doubt the recovery from the depression which then began was complicated by a variety of circumstances which cannot, on a strict construction of economic forces, be regarded as necessarily present in every era of post-war re-adaptations -- currency disorders, struggles over reparations, structural changes in industry, continued uncertainty over frontier arrangements etc. Nevertheless, the era 1920-25 was a difficult one in almost every part of the world.

7. But the fact that the cessation of the war did not cause an immediate long-continued depression should not blind one to the realities of the situation, whether psychological or economic. The post-war boom did not last long enough to enable the public to dissociate it from the war which preceded it and which was responsible for giving it its characteristic imprint. It is quite certain that this attitude of mind of the public will prevail to a similar, if not to a greater extent, at the end of the present war and that any distress which may arise and which could have been prevented by governmental action will be attributed, not to any mystical economic laws, but to negligence. From the standpoint of administration, the occurrence of a trade boom after the war is over represents rather the possibility of postponing some forms of action until sometime after the end of the war than a certainty of being able to avoid action altogether. And, even if a trade-boom does occur, the smoothness of the transition from war to peace conditions can be greatly assisted by appropriate action.

8. Such action must be prepared for in advance. It is, of course, not possible to forsee either the actual course of the war itself, nor its duration, but it will be obvious that the longer the war lasts, the greater is likely to be the dislocation which will ensue when the war is over.

At this stage, all that can be undertaken is a survey of the various problems which are likely to arise in relation to possible remedial action. It is suggested that the subjects to be covered be divided into the following four main heads and that appropriate sub-committees of the Reorganisation Committee - to which outside representatives can be co-opted, if that is considered desirable - be set up to consider the various detailed questions which will arise:-

I. Labour and Demobilisation -

(a) It will be necessary to inaugurate at once a proper statistical service relating to the increasing volume of employment in the industries primarily affected by war demands, e.g. Ordnance and Clothing Factories, Engineering, Textiles etc.

(b) It will be necessary to consider how far labour at present employed in a given direction can be re-employed in other directions without retraining: what, if any, arrangements for retraining can be instituted and what the direction of retraining should be: finally, whether any arrangements for relief works etc. will be necessary and, if so, where and under what conditions of pay, terms of employment etc.

(c) It will also be necessary to keep in close touch with the Army Authorities, so that their plans of demobilisation should not accentuate the problem of employment on the cessation of hostilities. It would appear desirable, therefore, that the Army should keep accurate record of the former occupations of recruits.

(d) It will be necessary to consider carefully how far existing facilities by means of which those in search of employment are put in touch with available jobs are adequate in the light of an employment crisis such as may confront the country at the end of the war or thereafter.

II. Disposals and war contracts -

It will clearly be necessary to make arrangements so as to prevent the whole economic structure from being demoralized by a sudden cessation of war production. The aim should be to taper off war production as commercial demand expands. Arrangements will also have to be made for the orderly disposal of stocks already on hand or accruing under war contracts, so as not to break prices and check incipient demand for new production manifesting itself.

III. Public Works and Government Purchasing Policies -

It is not necessary to labour the point that acceleration, or, contrariwise, the decline of public works expenditure, and/or expenditure by Government departments generally, can powerfully influence the labour market and the economic situation generally. It is, therefore, a matter of great importance to arrive at an agreed public works policy, the object of which would be to accelerate public works as the various demands for war purposes taper off. It will be obvious that different types of public works will give very different degrees of employment, direct and indirect, according to the types of labour, materials etc. involved and investigations of these aspects of the matter will be required before an adequate policy can be evolved. It will also be necessary to take into account the possible acceleration of e.g. housing projects and of considering ways and means of stimulating private capital construction as fully as possible.

IV. Trade, Industrial, and Agricultural aspects of the immediate post-war situation.

The formulation of long-term trade and industrial policies is properly a matter for Government as a whole. But it is clear that practically every country in the world will be faced with an identical problem at the end of the

war: and the practicability of the emergency measures adopted by each of them will in part depend upon the general attitude assumed towards international trade. The importance of watching the development of thought and action in this field is particularly great for countries such as India, whose national income is liable to sharp fluctuations through changes in the level of international prices.

One special problem arising immediately out of the war situation also requires to be considered. It was pointed out in paragraph 3 above that the gradual improvement in the shipping situation which is to be expected at the end of the war will tend to increase the volume of imports. This will affect the position of industries which have expanded as a consequence of the present quasi-monopoly held by them and will raise the question of redundant plant, or, alternatively, the question of what tariff measures will be necessary or desirable, to safeguard the position of such industries consistently with due appreciation of the position of the consumer under the then existing cirsumstances.

It will also be clear that changes in international trade policies and in the tariff policies of different countries will greatly affect the position of the growers of particular crops, e.g. cotton, wheat, oil-seeds. It will, therefore, be necessary to consider not only the direct impact effects, but also the possibilities of diverting agricultural production along new lines, if international developments should promise to be, on the whole, unfavourable to the maintenance of the present scale of production of internationally traded agricultural products.

T.E. Gregory,
13.6.41.

Preliminary observations on India's Economic Position at the end of the war.

1. It appears desirable, before the first meeting of the Reorganisation Committee takes place, to survey the problems which are likely to arise at the conclusion of hostilities, in order to facilitate discussion upon the nature of the inquiries which should be initiated forthwith.

2. It is necessary, at the outset, to make clear that the economic situation brought about in India as the result of the present war differs from that which characterized the period 1914-18 more in degree than in kind. Though, in the last war, India had not had to face the loss of the greater part of her European markets, there were nevertheless, considerable shipping difficulties and the great rise of prices with which the last war is associated in the popular mind; in fact took place mainly *after* and not *during* the war. The Review of the Trade of India 1918-19, page 2, gives the following index figures for fifty articles of export :—

1913-14 . .	100	1916-17 . .	117
1914-15 . .	102	1917-18 . .	125
1915-16 . .	103	1918-19 . .	150

During the present war, the Statistical Research Branch index of chief articles of export touched 148 (week ending 19th August 1939 = 100) by December 1939 and now stands at 124 (7th June 1941). The difficulty of obtaining imports, and war-demands also led, during the last war, to a considerable degree of industrial expansion. Thus the factors which have to be considered at the present time were also present in 1914-18 : the difference arises from the growth of scale on the industrial side.

3. The end of a war inevitably means some dislocation. (i) There is a check to recruiting, and, it is to be expected, some demobilisation of units. (ii) There is a check to the flow of war orders with consequential decline in the volume of production in the war industries, and these now cover a wider range and involve a larger number of persons than was the case during the last war. (iii) Even if production is not immediately cut down, the rate of consumption of war goods of all kinds is diminished, so that there will be an accumulation of stocks. In so far as these are capable of meeting civilian demands, *e.g.*, boots and shoes, the question arises whether an orderly disposal of such goods can be arranged so as not to prevent the resumption of normal trade relations. (iv) In so far as production is reduced, unemployment will manifest itself in the war goods industries. The extent of such unemployment will depend on the decline in the output, and upon the degree to which labour in such industries can be diverted, directly or indirectly, to other employments. The extent to which such diversion is possible will depend, however, not only on the qualifications of the workers concerned, but on the general state of trade in India and abroad, and upon the volume of employment in the capital—goods industries (including, *e.g.*, housing, public works, etc.). (v) There will be a gradual improvement in the shipping situation with the result that imports of manufactured articles may be expected to increase and exports of agricultural produce to go up, especially in view of the fact that Europe has been deprived of much of her normal supplies, *e.g.*, of cotton and feeding stuffs by the blockade. On balance, it will be reasonable to assume that the cessation of the quasi-monopolistic position held by manufacturing firms in India as a consequence of the shipping shortage will lead to a deterioration of the industrial position.

4. These direct impact effects of a cessation of hostilities by no means exhaust the list of problems which have to be faced. On the contrary, the two most general consequences of a state of dislocation have yet to be mentioned. Firstly, there is the possibility of a sharp drop in prices, which so far as its effects on the national income are concerned, aggravates the effects of declining production and declining employment. Secondly, there is the certainty that *if* production, employment and prices decline, the finances, both of the Centre and of the Provinces, will be adversely affected.

5. The argument has so far proceeded on *a priori* lines and it may be objected that though the end of a war involves some dislocation, this is not the same thing as proving that the degree of dislocation will be serious. For it may be argued that the cessation of hostilities, especially if hostilities

have been prolonged, will find the world short of consumers' goods. This is especially likely to be the case after the present war, in which the demands of the armed forces constitute an unprecedented strain on the productive sources of the world, and when these latter are (in certain countries at least) exposed to all the consequences of air-attack. Thus, it may be argued, the natural forces of recovery, *i.e.*, the consequence of large-scale "re-stocking" demand will counteract the factors making for dislocation. Even though the transition from peace to war involves some residual elements of dislocation, therefore, these may not be of great quantitative significance when weighed against the national economy as a whole.

6. It is a matter of historical fact that the *initial* dislocation at the end of the war of 1914-18 was not of long duration, and, indeed, the "post-war boom" of 1919-20 attained considerable dimensions. But, so, unfortunately did the post-war depression which began in 1920. No doubt the recovery from the depression which then began was complicated by a variety of circumstances which cannot, on a strict construction of economic forces, be regarded as necessarily present in every era of post-war re-adaptations—currency disorders, struggles over reparations, structural changes in industry, continued uncertainty over frontier arrangements, etc. Nevertheless, the era 1920—25 was a difficult one in almost every part of the world.

7. But the fact that the cessation of the war did not cause an *immediate* long-continued depression should not blind one to the realities of the situation, whether psychological or economic. The post-war boom did not last long enough to enable the public to dissociate it from the war which preceded it and which was responsible for giving it its characteristic imprint. It is quite certain that this attitude of mind of the public will prevail to a similar, if not to a greater extent, at the end of the present war and that any distress which may arise and which could have been prevented by governmental action will be attributed, not to any mystical economic laws, but to negligence. From the standpoint of administration, the occurrence of a trade-boom after the war is over represents rather the possibility of postponing some forms of action until sometime after the end of the war than a certainty of being able to avoid action altogether. And, even if a trade-boom does occur, the smoothness of the transition from war to peace conditions can be greatly assisted by appropriate action.

8. Such action must be prepared for in advance. It is, of course, not possible to foresee either the actual course of the war itself, nor its duration, but it will be obvious that the longer the war lasts, the greater is likely to be the dislocation which will ensue when the war is over. At this stage, all that can be undertaken is a survey of the various problems which are likely to arise in relation to possible remedial action. It is suggested that the subjects to be covered be divided into the following four main heads and that appropriate sub-committees of the Reorganisation Committee—to which outside representatives can be co-opted, if that is considered desirable—be set up to consider the various detailed questions which will arise:—

I. Labour and Demobilisation.

(a) It will be necessary to inaugurate at once a proper statistical service relating to the increasing volume of employment in the industries primarily affected by war demands, *e.g.*, Ordnance and Clothing Factories, Engineering, Textiles, etc.

(b) It will be necessary to consider how far labour at present employed in a given direction can be re-employed in other directions without retraining: what, if any, arrangements for retraining can be instituted and what the direction of retraining should be: finally, whether any arrangements for relief works etc., will be necessary and, if so, where and under what conditions of pay, terms of employment, etc.

(c) It will also be necessary to keep in close touch with the Army Authorities, so that their plans of demobilisation should not accentuate the problem of employment on the cessation of hostilities. It would appear desirable, therefore, that the Army should keep accurate record of the former occupations of recruits.

(d) It will be necessary to consider carefully how far existing facilities by means of which those in search of employment are put in touch with available jobs are adequate in the light of an employment crisis such as may confront the country at the end of the war or thereafter.

II. Disposals and war contracts.

It will clearly be necessary to make arrangements so as to prevent the whole economic structure from being demoralized by a sudden cessation of war production. The aim should be to taper off war production as commercial demand expands. Arrangements will also have to be made for the orderly disposal of stocks already on hand or accruing under war contracts, so as not to break prices and check incipient demand for new production manifesting itself.

III. Public Works and Government Purchasing Policies.

It is not necessary to labour the point that acceleration, or, contrariwise, the decline of public works expenditure, and/or expenditure by Government departments generally, can powerfully influence the labour market and the economic situation generally. It is, therefore, a matter of great importance to arrive at an agreed public works policy, the object of which would be to accelerate public works as the various demands for war purposes taper off. It will be obvious that different types of public works will give very different degrees of employment, direct and indirect, according to the types of labour, materials, etc., involved and investigations of these aspects of the matter will be required before an adequate policy can be evolved. It will also be necessary to take into account the possible acceleration of *e.g.*, housing projects and of considering ways and means of stimulating private capital construction as fully as possible.

IV. Trade, Industrial, and Agricultural aspects of the immediate post-war situation.

The formulation of long-term trade and industrial policies is properly a matter for Government as a whole. But it is clear that practically every country in the world will be faced with an identical problem at the end of the war: and the practicability of the emergency measures adopted by each of them will in part depend upon the general attitude assumed towards international trade. The importance of watching the development of thought and action in this field is particularly great for countries such as India, whose national income is liable to sharp fluctuations through changes in the level of international prices.

One special problem arising immediately out of the war situation also requires to be considered. It was pointed out in paragraph 3 above that the gradual improvement in the shipping situation which is to be expected at the end of the war will tend to increase the volume of imports. This will affect the position of industries which have expanded as a consequence of the present quasi-monopoly held by them and will raise the question of redundant plant, or, alternatively, the question of what tariff measures will be necessary or desirable, to safeguard the position of such industries consistently with due appreciation of the position of the consumer under the *then* existing circumstances.

It will also be clear that changes in international trade policies and in the tariff policies of different countries will greatly affect the position of the growers of particular crops, *e.g.*, cotton, wheat, oil-seeds. It will, therefore, be necessary to consider not only the direct impact effects, but also the possibilities of diverting agricultural production along new lines, if international developments should promise to be, on the whole, unfavourable to the maintenance of the present scale of production of internationally traded agricultural products.

T. E. GREGORY,

The 13th June 1941.

GIPD—L 496 CD—19-2-42 = 150.

4023

URGENT
D.O.No.F.62-42/W.

Bangalore,
19th May 1942.

CS 223-41-5

Meeting of the (Government of India) Reconstruction Committee No.IV.

- - -

OFFICE OF THE MINISTER FOR FINANCE & REVENUE
21 MAY 1942
No 7369

DEWAN'S OFFICE
No 10110

My dear Mehkri,

I am desired to refer to your demi-official letter No.3793/C.B., dated the 29th April 1942, and to forward for information a copy of the agenda and other papers for discussion at the first meeting of the Committee to be held on 22nd May 1942.

Yours sincerely,

M.G.Mehkri, Esq., B.A., LL.B.,
Chief Secretary to the Government of
His Highness the Maharaja of Mysore,
Bangalore.

KK

B with file
(CS 223-41-5)

Agenda for the first meeting of the Reconstruction Committee (Trade, International Trade Policy and Agricultural Policy), to be held at New Delhi on the 22nd May 1942 at 11 A.M.

.....

1. Consideration of the conditions to be attached to repayment of Government's share of Excess Profits Tax. (Statement of case circulated to Members with letter No.1-R.C.(2)/42 dated the 6th May, 1942.)

2. Consideration of the programme of future work (As illustrative documents, the questionnaires drawn up by the Trade and Tariffs and Agriculture Sub-Committees of the Consultative Committee of Economists are enclosed herewith.)

3. Any other business.

----oooOooo----

Programme of work drawn up by the Agriculture Sub-Committee of the Consultative Committee of Economists.

---

1. It was decided to divide the subject matter under two heads :-

(i) The immediate war and post-war position.
(ii) The Long Term Adjustment of Indian agriculture to Indian and World trends.

2. Under the first head, it was agreed that the following topics required investigation :-

(a) The structure of rights over agricultural land in India in the post-war period.

In certain provinces, the soldier (and, in due course the returned soldier) requires to be protected in his rights in the land; what forms of protective measures are necessary, such as :-

(i) Government assistance in the collection of rent arrears from tenants during the absence of the landlord.

(ii) Extension of the period of leases or time-limits for the payment of rents or revenues.

(iii) Extension of the period of pending suits by money-lenders.

(iv) Protection of the rights of minors?

(b) The immediate post-war price situation.

If agricultural prices show a marked rise or decline after the cessation of hostilities, what will be the best way of meeting the situation?

3. Under the second head, it was agreed that the following topics required investigation :-

(a) The adhesion of India to international agreements for the "orderly marketing" or "valorisation" of staple crops (e.g. wheat, cotton etc.)

(b) "Crop-planning", in relation particularly to :-

(i) The problem of finding alternative crops in place of those for which there is likely to be an inelastic or diminishing demand, e.g. short-staple cotton, and the problem of finding alternative uses for existing crops.

(ii) The production of "secondary crops" for the development of existing and new agricultural industries (e.g. canning industry).

(iii) Nutritional problems, and, in view of population pressure, the production of heavy yielding crops such as rice, potatoes, pulses and soya-beans.

(iv) Development of mixed farming and marketing of dairy produce at distant places.

(v) The fuller exploitation of the available productive powers of human labour and cattle power.

(vi) The extent to which each region should aim at self-sufficiency in regard to agricultural products.

(c) <u>The 'Planning of Agriculture" in relation to</u>

(i) An examination of the structure of rights and interests in land including problems of tenancy, tenure, debt and transfer of land.

(ii) Problems of unemployment and underemployment among the cultivators with special reference to (a) Legislation regarding uneconomic holdings and (b) development of intensive and mechanised farming.

(iii) Improvement of the economic position of agricultural labourers

(iv) Social experiments in collective and co-operative farming as alternatives to individual cultivation of the soil and the degree to which Government can undertake or encourage such experiments and

(v) The co-ordination of efforts aiming at preserving the heritage in soil, forests and waters such as erosion control, afforestation, land reclamation etc. Is it practicable to work out a policy of an "Evernormal Granary" in India?

(d) A re-examination of the problems involved in the financing of agriculture.

(e) Suggestions towards improvements in agricultural statistics.

----oooo0oooo----

Programme of work drawn up by the Trade and Tariffs Sub-Committee of the Consultative Committee of Economists.

---

1. The subject matter was divided into the following main sub-heads :-

(i) Tariffs, Subsidies and Protective Policy;
(ii) Export Policy
(iii) Treaty Policy
(iv) Internal Trade;
(v) Ancillary subjects.

2. Under (i) - Tariffs, Subsidies and Protective Policy - the following subjects were considered worthy of investigation :-

(a) What should be the technical content to be given to the doctrine of Protection by tariffs or bounties (including anti-dumping measures) in the post-war period?

(b) What modifications, if any, will the machinery of tariff-making require in the post-war period?

(i) Functions;
(ii) Composition;
(iii) Tenure?

(c) What should be the relations between protected industries and the State in respect of -

(i) Control of profits;
(ii) Participation in profits;
(iii) Social conditions of labour;
(iv) Apprenticeship;
(v) Administrative supervision and control by the State of protected industries?

(d) What have been the economic consequences of the existing rates of duty and to what extent will the technical structure of the tariff require modification in the future?

(e) What have been the economic consequences of war-time export and import regulations? How far should they be continued in the post-war period?

3. Under (ii) - Export Policy -

(a) What general principles should underlie the export policy of the Government of India in the post-war period? Should it take the form, in the main, of maintaining the principle of freedom of private enterprise or should Government, as a matter of principle, encourage schemes of bulk-sales for exports, and bulk-purchases for necessary imports?

(b) To what extent should Government envisage aid to export interests by means of -

(i) export-credit schemes;
(ii) adherence to regional pacts as regards exports of manufactures and/or raw materials (i.e. division of export-markets);
(iii) export subsidies; and
(iv) export-cartels?

(c) To what extent should India adhere to international pacts for the quantitative regulation of exports and/or the production of basic and other raw materials (e.g. cotton, coffee, sugar, wheat, rubber, tea)?

(d) To what extent are India's fundamental economic interests best met, so far as substitute materials are concerned (e.g. rayon, plastics) by (i) the manufacture of such commodities within India, (ii) pursuing price-policies designed to maintain the market for the natural products of Indian soil?

4. Under (iii) - Treaty Policy -

Given the various possibilities of the post-war situation (closer co-operation between the British Empire and the U.S.A., the "rationalisation" of export and import trade, etc.) should India choose :-

(a) a policy of complete autonomy, i.e. no trade treaties?

(b) a policy of conditional, or, alternatively, unconditional most-favoured treatment, only?

(c) adherence to the Imperial Preferential System (and with what modifications)?

(d) adherence to low-tariff or no-tariff zones?

(e) bi-lateralism of the Continental type?

5. Under (iv) - Internal Trade Problems

(a) How can internal trade be developed so as to provide large and expanding markets for the products of our industries and of agriculture?

(b) What impediments exist at present in the way of the inter-provincial trade and how best they can be removed (e.g. octrois, transport difficulties, lack of advertisement and propaganda)?

---oooo0oooo---

CONFIDENTIAL.

Statement of case for the opinion of the Reconstruction Committee (Trade, International Trade Policy and Agricultural Policy) on the conditions to be attached to repayment of Government's share of Excess Profits Tax.

....

1. Section 10 of the Indian Finance Act, 1942, contains the following provision :-

> "If before the 1st day of July 1942 or within thirty days of the date on which any excess profits tax, charged under the provisions of the Excess Profits Tax Act, 1940, at the rate of sixty-six and two-thirds per cent. becomes payable, whichever of these dates is later, a further sum not exceeding one-fifth of the amount of the said excess profits tax is deposited with the Central Government, the Central Government shall repay, at such date and subject to such conditions as it may hereafter determine, so much of the said excess profits tax as shall be equal to one-tenth of the amount thereof or to one-half of such further sum deposited, whichever is the less."

2. The object of this provision is to provide for industry after the war a re-equipment reserve and a reserve for post-war recession. In the debate on the Finance Bill it was pointed out to the Finance Member that assessees would be reluctant to contribute their share unless they knew beforehand the conditions to be attached to the repayment of Government's share. On this point the Finance Member spoke as follows in winding up the debate :-

> "I am not at this moment in a position to state what conditions Government can reasonably attach to this refund. My feeling is broadly that Government would be anxious to see that such money should not be dissipated in ordinary current consumption. It should not, for instance, merely be used to increase dividends to shareholders but that it should be utilised in order to strengthen the position of the industry concerned after the war. I am not in a position to formulate those conditions precisely and that is why I said that I would refer the matter to the Post-war Reconstruction Committee but I am prepared to do this. I am prepared to keep the offer open for a longer period, that is up to the 30th June. In the meantime I would ask my Honourable colleague, the Commerce Member, to have the matter dealt with as expeditiously as possible in that Committee, so that we may be in a position to give some more precise indication of what we have in mind to the assessees and enable them to see that it is really worth their while to take advantage of the scheme. I do not think I can do anything more at this stage."

3. Since then the Chancellor of the Exchequer in the U.K. is reported to have said in his Budget Speech that the only conditions to be attached to repayment of the 20% E.P.T. in the U.K. were that the sums repaid must not be paid out as dividends or distributed in the form of bonus shares. The Finance Member thinks that we might follow the lead of the U.K. and that we need not

attempt to elaborate conditions unduly. The U.K. conditions, however, could apply only to companies and it will be necessary to prescribe different conditions for non-company assessees.

4. From information given to the Central Board of Revenue, it appears that if the scheme is to be even partially successful, the conditions to be attached to the repayment of Government's share must be simple and clear-cut so that assessees will definitely know where they stand. At present while the conditions of repayment are unknown many industrialists are not attracted by the scheme.

----oooOooo----

Room No 101 (Room of H.M. Information)

Agenda for the first meeting of the Reconstruction Committee (Trade, International Trade Policy and Agricultural Policy), to be held at New Delhi on the 22nd May 1942 at 11 A.M.

.....

1. Consideration of the conditions to be attached to repayment of Government's share of Excess Profits Tax. (Statement of case circulated to Members with letter No. 1-R.C.(2)/42 dated the 6th May, 1942.)

2. Consideration of the programme of future work (As illustrative documents, the questionnaires drawn up by the Trade and Tariffs and Agriculture Sub-Committees of the Consultative Committee of Economists are enclosed herewith.)

3. Any other business.

----oooOooo----

Programme of work drawn up by the Agriculture Sub-Committee of the Consultative Committee of Economists.

---

1. It was decided to divide the subject matter under two heads :-

(i) The immediate war and post-war position.
(ii) The Long Term Adjustment of Indian agriculture to Indian and World trends.

2. Under the first head, it was agreed that the following topics required investigation ;-

(a) The structure of rights over agricultural land in India in the post-war period.

In certain provinces, the soldier (and, in due course the returned soldier) requires to be protected in his rights in the land; what forms of protective measures are necessary, such as :-

(i) Government assistance in the collection of rent arrears from tenants during the absence of the landlord.

(ii) Extension of the period of leases or time-limits for the payment of rents or revenues.

(iii) Extension of the period of pending suits by money-lenders.

(iv) Protection of the rights of minors?

(b) The immediate post-war price situation.

If agricultural prices show a marked rise or decline after the cessation of hostilities, what will be the best way of meeting the situation? - (Internal and/or External/or Export price)

3. Under the second head, it was agreed that the following topics required investigation :-

(a) The adhesion of India to international agreements for the "orderly marketing" or "valorisation" of staple crops (e.g. wheat, cotton etc.)

(b) "Crop-planning", in relation particularly to :-

(i) The problem of finding alternative crops in place of those for which there is likely to be an inelastic or diminishing demand, e.g. short-staple cotton, and the problem of finding alternative uses for existing crops.

(ii) The production of "secondary crops" for the development of existing and new agricultural industries (e.g. canning industry).

(iii) Nutritional problems, and, in view of population pressure, the production of heavy yielding crops such as rice, potatoes, pulses and soya-beans.

(iv) Development of mixed farming and marketing of dairy produce at distant places.

(v) The fuller exploitation of the available productive powers of human labour and cattle power.

(vi) The extent to which each region should aim at self-sufficiency in regard to agricultural products.

(c) <u>The 'Planning of Agriculture" in relation to</u>

(i) An examination of the structure of rights and interests in land including problems of tenancy, tenure, debt and transfer of land.

(ii) Problems of unemployment and underemployment among the cultivators with special reference to (a) Legislation regarding uneconomic holdings and (b) development of intensive and mechanised farming.

(iii) Improvement of the economic position of agricultural labourers

(iv) Social experiments in collective and co-operative farming as alternatives to individual cultivation of the soil and the degree to which Government can undertake or encourage such experiments and

(v) The co-ordination of efforts aiming at preserving the heritage in soil, forests and waters such as erosion control, afforestation, land reclamation etc. Is it practicable to work out a policy of an "Evernormal Granary" in India?

(d) A re-examination of the problems involved in the financing of agriculture.

(e) Suggestions towards improvements in agricultural statistics.

----oooo0oooo----

Sub Cm to look into Qtn — with Dr Gregory in the Chairman

Programme of work ~~drafted~~ drawn up by the Trade and Tariffs Sub-Committee of the Consultative Committee of Economists.

---

1. The subject matter was divided into the following main sub-heads :-

(i) Tariffs, Subsidies and Protective Policy;
(ii) Export Policy
(iii) Treaty Policy
(iv) Internal Trade;
(v) Ancillary subjects.

2. Under (i) - Tariffs, Subsidies and Protective Policy -- the following subjects were considered worthy of investigation :-

(a) What should be the ~~technical content to be given to the doctrine of Protection~~ fiscal policy of India with special reference to "Discriminating protection" by tariffs or bounties (including anti-dumping measures) in the post-war period? (Fiscal Policy) - What about Exchange?

(b) What modifications, if any, will the machinery of tariff-making require in the post-war period?

(i) Functions;
(ii) Composition;
(iii) Tenure?

(c) What should be the relations between protected industries and the State in respect of -

(i) Control of profits; → Control of Finance
(ii) Participation in profits;
(iii) Social conditions of labour;
(iv) Apprenticeship;
(v) Administrative supervision and ~~control~~ fostering of tech. etc. by the State of protected industries?

(d) What have been the economic consequences of the existing rates of duty and to what extent will the technical structure of the tariff require modification in the future?

(e) ~~What have been the economic consequences of war time export and import regulations? How far~~ Should ~~they~~ our Exports-imports be continued in the post-war period? Control

3. Under (ii) - Export Policy -

(a) What general ~~principles~~ should underlie the export policy of the Government of India in the post-war period? Should ~~it~~ take the form, in the main, of maintaining the principle of freedom of private enterprise or should Government, as a matter of principle, encourage schemes ~~of~~ bulk-sales for exports, (and bulk-purchases for necessary imports) alternative such as

(b) To what extent should Government envisage aid to export interests by means of -

(i) export-credit schemes;
(ii) adherence to regional pacts as regards exports of manufactures and/or raw materials (i.e. division of export-markets);
(iii) export subsidies; and
(iv) export-cartels?

(c) To what extent should India adhere to international pacts for the quantitative regulation of exports and/or the production of basic and other raw materials ~~(e.g. cotton, coffee, sugar, wheat, rubber, tea)~~?

(d) To what extent are India's fundamental economic interests best met, so far as substitute materials are concerned ~~(e.g. rayon, plastics)~~ by (i) the manufacture of such commodities within India, (ii) pursuing price policies designed to maintain the market for the natural products of Indian soil?

Which entry into conflict with Foreign Trade?

4. Under (iii) - Treaty Policy -

Given the various possibilities of the post-war situation ~~(closer co-operation between the British Empire and the S.A., the "rationalisation" of export and import trade, etc.)~~ ould India choose :-

(a) a policy of complete autonomy, i.e. no trade treaties?

(b) a policy of conditional, or, alternatively, unconditional most-favoured treatment, only?

(c) adherence to the Imperial Preferential System (and with what modifications, if any?

~~(d) adherence to low tariff or no-tariff zones?~~

(e) bi-lateralism of the Continental type?

5. Under (iv) - Internal Trade Problems

(a) How can internal trade be developed so as to provide large and expanding markets for the products of our industries and of agriculture?

(b) What impediments exist at present in the way of the ~~inter-provincial trade~~ and how best they can be removed (e.g. octrois, transport difficulties, lack of advertisement and propaganda)?

internal trade in India

1) Improvement of overseas Comm[l] intelligence

---oooo0oooo---

CONFIDENTIAL.

Statement of case for the opinion of the Reconstruction Committee (Trade, International Trade Policy and Agricultural Policy) on the conditions to be attached to repayment of Government's share of Excess Profits Tax.

....

1. Section 10 of the Indian Finance Act, 1942, contains the following provision :-

> "If before the 1st day of July 1942 or within thirty days of the date on which any excess profits tax, charged under the provisions of the Excess Profits Tax Act, 1940, at the rate of sixty-six and two-thirds per cent. becomes payable, whichever of these dates is later, a further sum not exceeding one-fifth of the amount of the said excess profits tax is deposited with the Central Government, the Central Government shall repay, at such date and subject to such conditions as it may hereafter determine, so much of the said excess profits tax as shall be equal to one-tenth of the amount thereof or to one-half of such further sum deposited, whichever is the less."

2. The object of this provision is to provide for industry after the war a re-equipment reserve and a reserve for post-war recession. In the debate on the Finance Bill it was pointed out to the Finance Member that assessees would be reluctant to contribute their share unless they knew beforehand the conditions to be attached to the repayment of Government's share. On this point the Finance Member spoke as follows in winding up the debate :-

> "I am not at this moment in a position to state what conditions Government can reasonably attach to this refund. My feeling is broadly that Government would be anxious to see that such money should not be dissipated in ordinary current consumption. It should not, for instance, merely be used to increase dividends to shareholders but that it should be utilised in order to strengthen the position of the industry concerned after the war. I am not in a position to formulate those conditions precisely and that is why I said that I would refer the matter to the Post-war Reconstruction Committee but I am prepared to do this. I am prepared to keep the offer open for a longer period, that is up to the 30th June. In the meantime I would ask my Honourable colleague, the Commerce Member, to have the matter dealt with as expeditiously as possible in that Committee, so that we may be in a position to give some more precise indication of what we have in mind to the assessees and enable them to see that it is really worth their while to take advantage of the scheme. I do not think I can do anything more at this stage."

3. Since then the Chancellor of the Exchequer in the U.K. is reported to have said in his Budget Speech that the only conditions to be attached to repayment of the 20% E.P.T. in the U.K. were that the sums repaid must not be paid out as dividends or distributed in the form of bonus shares. The Finance Member thinks that we might follow the lead of the U.K. and that we need not

attempt to elaborate conditions unduly. The U.K. conditions, however, could apply only to companies and it will be necessary to prescribe different conditions for non-company assessees.

4. From information given to the Central Board of Revenue, it appears that if the scheme is to be even partially successful the conditions to be attached to the repayment of Government's share must be simple and clear-cut so that assessees will definitely know where they stand. At present while the conditions of repayment are unknown many industrialists are not attracted by the scheme.

----oooOooo----

Reconstruction Committee (Trade, International Trade Policy and Agricultural Policy).

.....

The Committee is composed of the following:-

Representatives of the Govt. of India.

1. The Hon'ble Dewan Bahadur

   Sir A. Ramaswami Mudaliar, Member (Commerce) (Chairman)

2. The Hon'ble Sir Alan Lloyd, C.S.I., C.I.E., I.C.S.,
   Secretary to the Government of India,
   Commerce Department.

3. The Hon'ble Mr.C.E. Jones, C.S.I., C.I.E., I.C.S.,
   Secretary to the Government of India,
   Finance Department.

4. J.D. Tyson, Esqr., C.B.E., I.C.S.,
   Secretary to the Government of India
   Department of Education, Health & Lands.

5. Dr.T.E. Gregory, D.Sc.,
   Economic Adviser to the Government of India.

6. A.C. Turner, Esqr., C.I.E., M.B.E., I.C.S.,
   Additional Secretary to the Government of India,
   Finance Department.

7. J.H.F. Raper, Esqr.,
   Member, Railway Board.

   (Mr.J.F.Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue, and Mr.C.W. Ayers, C.I.E., Excess Profits Tax Adviser, Central Board of Revenue, will also attend the first meeting).

Representatives of the Provincial Governments.

8. P.B. Advani, Esqr., M.Sc.(Tech.), M.I.E., J.P.,
   Director of Industries,
   Bombay.

9. Rai Bahadur Ramlal, M.B.E.,
   Director of Industries,
   Punjab.

10. Director of Industries,
    Madras.

11. Director of Industries,
    United Provinces.

Representatives of States.

12. Mr.Mir Muqbool Mohmud,
    Secretary to H.H. the Chancellor,
    Chamber of Princes.

13. A Representative of Hyderabad.

14. V. Vedavyasacharya, Esqr.,
    Secretary, Development Department,
    Mysore.

Representative of the Imperial Council of Agricultural Research.

15. P.M. Kharegat, Esqr., C.I.E., I.C.S.,
Vice-Chairman.

Representative of the Board of Scientific and Industrial Research.

16. Dr.Sir S.S. Bhatnagar, O.B.E., Director.

Representatives of the Chambers of Commerce.

17. G.L. Mehta, Esqr., President, Federation of Indian Chambers of Commerce & Industry, New Delhi.

18. G.D. Birla, Esqr.,
Member of the Committee, Federation of Indian Chambers of Commerce & Industry, New Delhi.

19. The Hon'ble Mr.R.R. Haddow,
President, Associated Chambers of Commerce, Calcutta.

20. W.K.M. Langley, Esqr.,
Member, Associated Chambers of Commerce, Calcutta.

Other Representatives.

21. Sir Swetachalapati Rama Krishna Ranga Row Bahadur Varu, K.C.I.E.,
Rajah of Bobbili, District Vizagapatam.

22. Kumararajah Sir Muthiah Chettiar,
Madras.

23. B.S. Dabke, Esqr.,
Bombay

24. Sir Abdul Halim Ghuznavi, M.L.A.,
Calcutta.

25. The Hon'ble Mr.Hossain Imam,
Gaya.

26. Sir Frederic James, M.L.A.,
New Delhi.

27. Sir Tracy Gavin Jones,
Director, Muir Mills Co., Ltd.,
Cawnpore.

28. Sir Chunilal B.Mehta,
Bombay.

29. Sir George Morton, O.B.E., M.C.,
President, Bengal Chamber of Commerce,
Calcutta.

30. K.C. Neogy, Esqr., M.L.A.,
New Delhi.

31. The Hon'ble Mr.P.N. Sapru,
Allahabad.

32. Sir Zia-Uddin Ahmad, M.L.A.,
Vice-Chancellor,
Muslim University,
Aligarh.

CONFIDENTIAL

Conclusions reached at the meeting of the Reconstruction Committee (Trade, International Trade Policy & Agricultural Policy) held on the 22nd May on Item I of the Agenda as summarised by the Hon'ble Sir Jeremy Raisman, K.C.S.I.,C.I.E., I.C.S.

The Hon'ble Sir Jeremy Raisman :

Firstly, it is desired that there should be a definite date by which all these refunds will have been made. - say 3 years from the Date of term" of actual hostilities.

Secondly, it is not considered that restrictive conditions in regard to the application of the money so refunded to prevent its use for the distribution of dividends or the issue of bonus shares are in the long run practicable. On the other hand, it is possible to give priority to claimants who have schemes to submit for approval and in those cases refunds should be made within a shorter period, say one year from the Date of hostilities, for use on approved schemes. As regards the nature of the schemes which should be approved by Government, this Committee should be consulted, although individual cases will naturally have to be dealt with by Government.

Thirdly, the decision of the Government on the recommendations of this Committee should be announced as soon as possible.

Fourthly, it should be made clear that these refunds will not be liable to Excess Profits Tax.

Fifthly, regarding the definition of "the termination of hostilities", it should be verified that the language used in the Act applies to the date when the fighting ceases and not to the later date when peace is declared.

New Delhi, May 22, 1942.

No.1-R.C.(2)/42
Government of India.
Department of Commerce.
RECONSTRUCTION COMMITTEES.

New Delhi, the 5th June 1942.

From

B.N. Adarkar, Esqr., M.A.(Cantab),
Secretary, Reconstruction Committees,

To

All members of the Reconstruction Committee
(Trade, International Trade Policy and
Agricultural Policy).

Sir,

I am directed to send herewith the draft Proceedings of the first meeting of the Reconstruction Committee (Trade, International Trade Policy and Agricultural Policy) with a request that your comments, if any, on the draft may kindly be communicated to this office as early as possible. A copy of the revised Proceedings will be sent to you after the comments of all the members are received.

I have the honour to be,
Sir,
Your most obedient servant,

Secretary, Reconstruction Committees.

D/G.

Draft Proceedings of the First meeting of the Reconstruction Committee (Trade, International Trade Policy and Agricultural Policy) held at New Delhi on the 22nd and 23rd May 1942.

- Present -

Representatives of the Govt. of India.

1. The Hon'ble Sir Alan Lloyd, C.S.I., C.I.E., I,C.S.,
Secretary to the Government of India,
Commerce Department. Chairman

2. The Hon'ble Sir Jeremy Raisman, K.C.S.I., C.I.E., I.C.S.,
Member (Finance) H,E. the Viceroy's Executive Council.

3. J.D. Tyson, Esqr., C.B.E., I.C.S.,
Secretary to the Government of India,
Department of Education, Health & Lands.

4. Dr.T.E. Gregory, D.Sc.,
Economic Adviser to the Government of India.

5. A.C. Turner, Esqr., C.I.E., M.B.E., I.C.S.,
Additional Secretary to the Government of India,
Finance Department.

6. J.H.F. Raper, Esqr.,
Member, Railway Board.

7. J.F. Sheehy, Esqr., C.S.I., I.C.S.,
Member, Central Board of Revenue.

8. C.W. Ayers, Esqr,, C.I.E.,
Excess Profits Tax Adviser,
Central Board of Revenue.

9. T.S. Pillay, Esqr., O.B.E., M.A., B,L.,
Joint Secretary to the Govt. of India,
Commerce Department.

Representatives of the Provincial Governments.

10. P.B. Advani, Esqr., M.Sc.(Tech.), M.I.E., J.P.,
Director of Industries,
Bombay.

11. M.H. Mahmood, Esqr.,
Director of Industries,
Punjab.

Representatives of States.

12. Mr.Mir Muqbool Mohmud,
Secretary to H.H. the Chancellor,
Chamber of Princes.

13. V. Vedavyasacharya, Esqr.,
Secretary, Development Department,
Mysore.

Representative of the Imperial Council of Agricultural Research.

14. P.M. Kharegat, Esqr., C.I.E., I.C.S.,
Vice-Chairman.

Representative of the Board of Scientific and Industrial Research.

15. Dr.Sir S.S. Bhatnagar, O.B.E., Director.

Representatives of the Chambers of Commerce.

16. G.L. Mehta, Esqr., President, Federation of Indian Chambers of Commerce & Industry, New Delhi.

17. The Hon'ble Mr.R.R. Haddow, President, Associated Chambers of Commerce, Calcutta.

Other Representatives.

18. B.S. Dabke, Esqr., Bombay.

19. Sir Abdul Halim Ghuznavi, M.L.A., Calcutta.

20. The Hon'ble Mr.Hossain Imam, Gaya.

21. Sir Frederic James, M.L.A., New Delhi.

22. Sir Tracy Gavin Jones, Director, Muir Mills Co., Ltd., Cawnpore.

23. Sir Chunilal B. Mehta, Bombay.

24. Sir George Morton, O.B.E., M.C., President, Bengal Chamber of Commerce, Calcutta.

25. K.C. Neogy, Esqr., M.L.A., New Delhi.

26. The Hon'ble Mr.P.N. Sapru, Allahabad.

27. Sir Zia-Uddin Ahmad, M.L.A., Vice-Chancellor, Muslim University, Aligarh.

28. B.N. Adarkar, Esqr., M.A.(Cantab), Secretary, Reconstruction Committees.

The Chairman apologized for the absence of the Hon'ble Dewan Bahadur Sir Ramaswami Mudaliar who had wished to be in the Chair at the first meeting of this Committee but who was unfortunately unwell. He welcomed the delegates on behalf of the Government and thanked them for attending the meeting at considerable personal inconvenience. He explained the delay in appointing this Committee as being due to the fact that since the decision to set up this Committee was taken, developments had taken place in the war situation which indicated that the process of destruction which had started was likely to go on for some time before the problems of reconstruction could emerge in a concrete shape. In the meanwhile, however, a specific problem, namely, the one enunciated in Item I of the Agenda, had been referred to the Committee and this provided an occasion for constituting the Committee and convening its first meeting. The Chairman then took up the first item on the Agenda, namely, the conditions to be attached to the repayment of Government's share of the Excess Profits Tax and invited the Finance Member to speak on the subject.

Sir Jeremy Raisman said that the scheme as explained in his last budget speech was intended to serve two purposes. In the first place, it was intended to try and build up for industry a reserve for re-equipment and reconditioning to enable industry to meet the strains which might be expected to manifest themselves after the war. It would obviously be very unfortunate if after a period of intense activity and high profits industry were to find itself in post-war conditions entirely unable to re-equip itself or to adjust itself financially to the

altered conditions, and what was necessary was to induce industry - and Government itself to show its seriousness by making a contribution for this purpose - to build up a useful reserve. The second object which was equally vital to the soundness of the country's economy during the war, was to devise one more means of drawing off during the period of the war some of the excess spending power which must inevitably be distributed through the community in a period of such intense economic activity; in other words, it had the same object as have all schemes for stimulating savings and restricting consumption during the war. The Finance Member said that this problem had been approached in a different way in the United Kingdom, where the E.P.T. was stepped up to one hundred per cent. and the problem was met by giving an undertaking, subject to certain conditions, to refund 20 per cent. of the tax subject to income tax in the year of receipt. In England when the scheme was first put forward it was indicated that the Treasury would evolve certain conditions. In the circumstances of India it was felt that without increasing the rate of E.P.T. it might be possible to get industry to realize the importance of co-operating in a scheme of this kind, and the Finance Member, therefore, conceived the idea of inviting the assessee to make his contribution and relating to that contribution the contribution which Government should make. There was some doubt about the conditions which were being attached to the refund of Government's share and hence the Finance Member endeavoured to make the investment of the assessee's share as much as possible an ordinary investment proposition, although he did not suggest that it was a highly attractive proposition. He explained his point of view as follows: The assessee's own contribution would be repaid within twelve months of the date of termination

of the present hostilities, in other words, the period of that investment could not be more than, say, three or four years, and therefore he provided for a rate of simple interest at 2 per cent. which appeared to him to be a reasonable rate for an investment of that period, so that his intention was to say to the assessee: "Well, you won't lose anything by putting in your share. This is a reasonable investment on its own account, but in addition I intend to put in an amount equal to 50 per cent. of your share and I want to take sometime to think out what conditions the general community would be justified in imposing on the release of its own contribution." But during the course of the discussion on the Finance Bill it became evident that the feeling in trade and industry was that some further definition of the conditions to be attached to the refund of Government's share was necessary before the offer was likely to be widely availed of. This involved a modification of the original idea. The Finance Member, therefore, advanced a stage further and extended the time within which the option should be exercised and promised to refer the matter to this Committee, because his object was to ascertain by ordinary consultation with the interests affected and other interests what were the most suitable conditions to be attached. He did not realize that this Committee had not yet been formed and that it would take so long to get the advice of the Committee.

The Finance Member made it clear that he did not have any strong feelings or pre-possessions on the subject. He was anxious to hear what the members of the Committee themselves felt in the matter. He only mentioned that in England they had come to the conclusion that virtually the only condition to be attached was that this sum when refunded should not be utilized merely for

the payment of dividends, or the issue of bonus shares; in other words, that it should not go out for use in current consumption, that it should not be treated as profit, but should be utilized in some way more conducive to the general improvement and amelioration of industry. He emphasized that the Committee should also keep the same object in view. It was not his intention merely to reduce the rate of E.P.T. - he did not think that 66 2/3 per cent. was excessive - and he saw no reason whatsoever to reduce the rate of tax, but he did think that the building up of a reserve was of sufficient importance to justify Government in making a contribution to stimulate industry to help itself, and his motto was in effect that Government would help those who help themselves. Mr R.R.Haddow inquired about the details of the conditions prescribed in U.K. Sir Jeremy Raisman read out a telegram which he had received from England about the U.K. Bill which was in the course of passing. The telegram read as follows:- "Actual conditions of repayment have not yet been formulated but clause 36 of the Finance Bill 1942 inserts in Section 28 of the Finance Act the words given below: Section 28 of the Finance Act reads:-

> "After the termination of hostilities in the present war there shall be ascertained and recorded in respect of every person who has paid any Excess Profits Tax for any of the periods in respect of which the tax is chargeable at the rate of one hundred per cent. the amount by which the total sum paid by him by way of E.P.T. and National Defence Contribution would have been decreased if the rate of E.P.T. had been 80 per cent. in respect of those periods, and the amount so ascertained and recorded, as aforesaid, shall, if such conditions as may hereafter be determined are satisfied, be repaid at such date as Parliament may hereafter lay down." The words to be inserted in

this section are:-

"being conditions relating to distribution, application or capitalisation of profits for the benefit of shareholders whether by payment of dividends or the issue of the company's shares or debentures or by any other means whatsoever." The Finance Member added that as far as he could discover the Chancellor of the Exchequer, Sir Kingsley Wood, pointed out that it was the only condition that they had in mind: the only condition, in short, was that the amount refunded was not to be used in payment of dividends or the issue of bonus shares. Mr Haddow asked how the case of private firms was dealt with, in view of the fact that such firms did not as a rule maintain a reserve fund and in most cases distributed their profits. Sir Jeremy Raisman said that the words "application or capitalisation of profits" were fairly comprehensive, but in any case he asked members to consider the problem independently of the U.K. analogy. He recognized the difficulty of applying the U.K. formula to private firms.

Sir George Morton suggested that there was a way of dealing with private firms, namely, by regarding the amount as a capital sum in the hands of the assessee and by exempting it from taxation unless it was assumed by the assessee as income. He inquired whether the Government's share was liable to taxation under the U.K. law. Sir Jermey Raisman replied in the affirmative. Sir George Morton pointed out that the assessment of the Government's share for tax purposes might in certain cases result in the assessee being brought on to a higher grade of taxation. He added that after the last war, people had the uncomfortable experience of E.P.T. being replaced by another tax. Sir Jeremy Raisman explained that just as the inclusion of the Government's share might result in an assessee being to be brought on to a

higher grade of taxation, if he was making losses in a year, the amount might not be taxed at all. It was the actual income after deducting E.P.T. that was taken for the purposes of income tax or super tax. It was not taxed in the first instance and hence when it was assessed, it must in principle be subjected to income tax and super tax. Sir George Morton explained his point thus. Suppose there are two assessees one of whom takes advantage of this arrangement and the other does not, but who are exactly equal otherwise. Both pay exactly the same amount as their tax, namely, 66 2/3 per cent, but one of them gives a loan to Government and eventually gets back half of that loan as something extra and then it becomes liable to income tax and super tax. Thus, inspite of the fact that the income of both the assessees is exactly equal, one of them pays income tax and super tax on a higher amount than the other does. Sir Jeremy Raisman said that there was nothing anomalous in this as one of the assessees would get something extra, while the other man would get nothing. Sir George Morton, however, still maintained that if after paying all taxation on his income, the assessee got a bonus on that from Government, it should not again be taxable in his hands.

Sir George Morton opposed the idea of putting any restrictions on the assessee's use of the refunded amount, and said that the people at Calcutta at any rate would not co-operate unless they had a certain degree of freedom in regard to the use of the money. He suggested that the Government could arrange to refund these loans not later than three or four years, but if any assessee required the money for some constructive purpose, they shouldconsider repaying the whole amount. The only difficulty would be about taxation and he said that it would be a very welcome and fine gesture if

the Government could say that if the money was wanted for some constructive purpose, such as reequipment or remodelling of the plant, they would repay it in full without taxation, while they would make it taxable or even specially taxable if it was brought into the Profit and Loss account. Nobody would have any objection to this as most of the companies would have to raise funds after the war for re-equipping their plant. Sir George Morton added that it would suffice if the Government merely gave a general indication of their intention.

On a question put by Sir Chunilal Mehta, Sir Jeremy Raisman explained that the E.P.T. would not be leviable on the Government's share, when refunded.

Sir Chunilal Mehta pointed out that the condition that the refunded amount should not be used for the payment of dividends or the issue of bonus shares would not be administratively enforceable, as it could be easily overcome by accountancy adjustments. He suggested that the matter should be left to the discretion of industrialists themselves who were after all responsible for the welfare of their own industries and who could be trusted not to fritter away their resources. The Chairman asked whether there had been such a marked change of heart since the last post war boom. Sir Chunilal said that it was so, the present day industrialists being even over-careful in the matter of distribution of dividends. He suggested that there should be a time-limit for the repayment of the Government's share and said that the difficulty was raised in England also.

Sir Jeremy Raisman asked if an arrangement on the following lines would be acceptable to the Committee, namely, that the refund must in any case be made not later than three years after the termination of the war and should be made earlier on any approved schemes.

Sir Chunilal Mehta suggested that within the maximum period, the assessee should have the option of taking the Government's share into account in any year he liked. That is to say, if the party made a loss in one of the intervening years and did not like to take the Government's share into account, the income tax authorities should not object to it. Sir Chunilal said that some such provision was necessary in spite of the fact that losses could be carried forward for six years, because if a party received the Government's share in the first year after the end of the war, he would have to pay tax on it, while losses might occur later on.

Sir Jeremy Raisman pointed out that the tax would be levied only in the year of repayment and if the assessee did not want to be repaid in the first year, it would be open to him not to attempt to secure the approval of the Government to the repayment. There would be a period of, say, one year within which payment could only be made at the discretion of Government on approved schemes; and the assessee would thus have the option of not being paid in the first year.

Sir Chunilal Mehta repeated his suggestion that the assessee should have the discretion to debit the amount to Government at any time within the maximum period. He suggested, further, that Government should state precisely what was meant by the expression "the end of the war" or "the termination of hostilities".

Sir Jeremy Raisman said that there might be an interval between the termination of hostilities and the declaration of peace and what was meant in this context was the termination of hostilities, but the point would be verified.

Mr G. L. Mehta said that there was a certain amount of misunderstanding still as regards the liability to taxation for E.P.T. purposes and the matter should be clarified by a Press Communique or any other method. On his saying that the Finance Member himself considered the scheme to be not particularly attractive, Sir Jeremy Raisman pointed out that what he had said was that the assessee's own share, taken by itself, apart from the official contribution, should be considered to be a business investment.

Mr Mehta endorsed the suggestion made by Sir Chunilal Mehta that the refund should be free from restriction as regards its use and should be repaid in a definite period at the option of the assessee. He said that it was suggested by some of the Indian Chambers whom he had consulted that the money should be repaid within 12 months after the termination of war. The Finance Member said that that would be departing too far from the scheme. The best scheme was one in which nothing could be paid fairly quickly. The money could be disbursed more or less unconditionally subject to a repayment within 12 months on approved schemes. He said that there would be no difficulty in accepting Mr Mehta's suggestion to consult this Committee on the nature of the schemes which should be approved. The Committee would be asked to say what would constitute urgent or desirable cases from the financial point of view. Mr Mehta referred to a question put by Sir Henry Richardson in the Assembly whether it would not be possible for the Finance Member to say that the rates of taxation levied on the Government contribution on its repayment would not be higher than those contained in the Budget. The Finance Member said that he could not bind his successor and administratively it would be impracticable.

Sir George Morton said that the Government's contribution was either a business profit on one's investment in which case it should be assessable to E.P.T. as well as other taxes or it was not a business profit in which case it should not be assessable at all. He emphasised the distinction between the U.K. system where everybody was paying and every body would get a refund and the Indian scheme which was purely voluntary and the refund was proposed to be given to just a few people who contributed to this loan.

Sir Jeremy Raisman said that from the pure investment point of view the scheme could not be regarded as anything but attractive. Even on the assumption that the money was refunded 5 years hence, if the assessee put in 1 lakh of rupees to-day, he would get simple interest at 2 per cent. i.e. Rs. 2,000 per year plus about Rs. 35,000 at the end of 5 years (i.e. the Government contribution, Rs. 50,000, less income tax and super tax). Thus the yield would be 2 per cent. per annum and 35 per cent. net at the end of the period.

On a question put by the Hon'ble Mr Hossain Imam, Sir Jeremy Raisman explained that the assessee's contribution would not be liable to tax, as it was already taxed once. Mr Hossain Imam expressed himself against the removal of restrictions and said that it was not necessary to make the restrictions very lenient in order to attract money, because this was not a very attractive proposition from the point of view of the Government. It was only for the betterment of industry that this provision was being made.

Mr K. C. Neogy said that the Government was committed to the scheme as embodied in the Finance Act of the Legislature and that the Committee's function

was merely to advise the Government in regard to the conditions to be attached to the payment of Government's own contribution. He asked whether, on the anology of the British scheme under which the conditions were prescribed by Parliament, the Indian Legislative would also be given an opportunity to have a say in the matter. The Finance Member said that the Committee had representatives of the Legislature among its members and besides, the recommendation that the matter should be referred to this Committee was made before the Bill was enacted, so that the Legislature could be said to have agreed to the procedure which was proposed to be followed. Mr Neogy agreed with Sir Chunilal Mehta that any restrictions on the use of money would be administratively unworkable.

The Hon'ble /Mr P. N. Sapru said that he was in favour of prescribing some restrictions as to the use of the Government's contribution. If the restrictions prescribed in U.K. were considered impracticable, the Government should wait for the development of the U.K. scheme before deciding to make the repayment unconditional. He, however, agreed to the scheme suggested by the Finance Member.

The Finance Member said that he would like to distribute the payment over a period, as he would have to take into account the Government's ways and means position.

Sir Abdul Halim Ghuznavi said that there should be no restrictions in regard to payment.

Dr. Sir Ziauddin Ahmed asked whether, if the Government of India followed the British model, the industrialists would be willing to pay cent per cent. E.P.T. subject to the same conditions as those laid down by His Majesty's Government. The Chairman, however, said that this was outside the scope of the Committee.

Dr. Sir Ziauddin Ahmed said that either it should be a cent per cent tax or it should be according to the wishes of the Legislature and the conditions ought to be laid down by the Legislature. He added that the money should not be used for payment of dividends or additions to capital, though it might be allowed to be used for working expenses. The Finance Member said that to allow the money to be used for working expenses would be the same as making an unconditional grant.

Mr. B. S. Dabke endorsed the view that there should be no restrictions. He said that the industrielists were bound to use the amount for replacement of machinery, as at present all machinery was being used up to the maximum extent and was being rapidly worn down. He gave the instance of the khaki plant of his mill which was guaranteed for 10 years, but all the special replacements of which were exhausted within the first 2½ years of the war.

On a question put by Mr Hossain Imam, Sir Jeremy Raisman said that the amount of assessees' contribution under this scheme was expected to be of the order of Rs.4 crores and the Government's contribution would amount to Rs.2 crores. The scheme would thus provide a very substantial reserve of six crores for the re-equipment of the industry.

Sir Tracy Gavin Jones said that he had consulted the Committee of the Upper India Chamber of Commerce on the subject. The scheme as a whole had the approval of the Committee provided it was made clear how Government contribution was going to be refunded. They were quite content with two per cent on the companies' contribution. Sir Tracy expressed satisfaction at the fact that Government's contribution would be exempted from

E.P.T. but would be liable to income tax and super tax. He said that the Committee of the Upper India Chamber were very insistent on one point, namely, that there should be no form of inquisition as to how the Government contribution was to be spent. They were agreeable in principle that it should not be utilised for dividends or bonus shares. But no further enquiry should be made as to how the amount was spent. Sir Tracy also suggested that a definite date should be stated as to when this Government contribution was to be paid.

The Chairman asked whether the objection to any form of inquisition in regard to the use of Government's contribution applied also to enquiries into the nature of the schemes to be submitted for approval for getting repayment in the first twelve months. Sir Tracy Gavin Jones said that he had no objection to such enquiries.

Mr. Dabke inquired whether the refund would be in cash. The Finance Member replied in the affirmative.

Sir F. E. James endorsed the view that a time limit should be fixed to repayment subject to priority being given to approved schemes.

Mr. P. B. Advani inquired whether the extent to which the offer was not taken up by industry, the Government of India would consider using its reserve for industrial development in other ways. Sir Jeremy Raisman said that he had made it quite clear in reply to Sir Cowasji Jehangir in the Assembly that there was no question of putting this money into a general fund to be used for general purposes.

Mr. Dabke raised the question of non-company assessees to which the Finance Member replied that the scheme was equally applicable to all.

The Chairman pointed out that while the U.K. scheme put impediments in the way of the distribution of Government's share, the procedure which was proposed to be adopted in India was of a negative character, namely, that there would be no repayment at all in the first twelve months except for approved purposes. The difficulty about non-company assessees, therefore, did not arise.

Sir Jeremy Raisman then summed up the conclusions of the discussion as follows:-

Firstly, it is desired that there should be a definite date after the termination of hostilities by which all these refunds will have been made, say 3 years.

Secondly, it is not considered that restrictive conditions in regard to the application of the money so refunded to prevent its use for the distribution of dividends or the issue of bonus shares are in the long run practicable. On the other hand, it is possible to give priority to claimants who have schemes to submit for approval and in those cases refunds should be made within a shorter period, say one year after the termination of hostilities, for use on approved schemes. As regards the nature of the schemes which should be approved by Government, this Committee should be consulted, although individual cases will naturally have to be dealt with by Government.

Thirdly, the decision of the Government on the recommendations of this Committee should be announced as soon as possible.

Fourthly, it should be made clear that these refunds will not be liable to Excess Profits Tax.

Fifthly, regarding the definition of "the termination of hostilities", it should be verified that the language used in the Act applies to the date when the fighting ceases and not to the later date when peace is declared.

The Chairman said that it had been a great privilege to have the Finance Member present at the meeting to guide the Committee's deliberations. He proposed that the second item on the Agenda should be taken up on the next day when the Hon'ble the Commerce Member was expected to be present.

The meeting then adjourned till eleven a.m. on the 23rd May 1942.

.....

The Committee resumed its deliberations on the 23rd May 1942 at 11 A.M. with the Hon'ble Sir Alan Lloyd in the chair.

The Chairman referred to a Press Note issued on the 24th June 1941 which laid down in general terms the functions of this Committee. In that Press Note stress was laid upon the importance of watching the development of thought and action in the field of international trade.

The Chairman continued that the importance of that point had since then been greatly stressed by the knowledge of what was the future policy of two very powerful countries as laid down in the Atlantic Charter. The Atlantic Charter was not as such binding upon India but it contained certain provisions which, if not agreeable to Indian policy would relegate India to the countries which were not allied with the United Kingdom and the United States of America and might, therefore, result in less favourable terms for India in the sphere of international trade than otherwise. The Chairman said that the Committee's function at that meeting was not to find answers to the problems but frame issues. He, therefore, asked the members to avoid any lengthy statements on what in their opinion would be the ultimate answers to the problems and confine themselves only to the framing of issues. He then referred to the programmes of work drawn up by the Consultative Committee of Economists and said that they illustrated the lines along which the Committee might proceed. He said that a part of the work planned by the Agricultural Sub-Committee was hardly within the scope of this Reconstruction Committee which was concerned with the impact upon agriculture of international trade and not so much with internal agricultural policy. Referring to the suggestion that this Reconstruction Committee also should appoint subcommittees, he said that he was himself in favour of such a procedure, but it was better first to define issues and then to see what subcommittees, if any, should be appointed. He then asked Mr.Tyson to explain his

reactions to the programme of work drawn by the Consultative Committee of Economists in relation to agriculture.

Mr.G.L.Mehta suggested that the meeting might be adjourned till Monday the 25th May when the Hon'ble the Commerce Member could perhaps be present. The Chairman asked if the other members had any objection to the meeting being adjourned till Monday. It was found, however, that many members had already made their arrangements to leave Delhi on Saturday and it was, therefore, decided to continue the meeting.

Mr.Neogy asked for information about the different organizations which were at present working in connection with postwar reconstruction and the procedure that was intended to be followed in regard to the respective functions and duties of those organizations and of this Committee.

The Chairman read out paragraph 2 of the Press Note of the 24th June 1941 and asked Dr.Gregory to elucidate the functions of the Consultative Committee of Economists. Dr.Gregory said that the Consultative Committee of Economists was expected to deal with the entire range of problems assigned to the four Reconstruction Committees. The Consultative Committee was, therefore, split up into a series of subcommittees not for the purpose of permanent working, but only for drawing up a questionnaire relating to each one of those particular topics. He added that the subcommittees no longer existed. As regards the procedure, he said that there was no difference at all between the functions and duties of the Consultative Committee of Economists and those of the other Reconstruction Committees. The Consultative Committee of Economists was constituted because it was felt that there was a distinct advantage in having one group consisting primarily of academic persons and another group consisting mainly of business men and administrators pursuing the same enquiries on more or less parallel lines. The questionnaires drawn up by the subcommittees were discussed at the last meeting of the Con-

sultative Committee of Economists and were adopted after a great deal of discussion. The questionnaires were not circulated to public bodies, but the subjects mentioned therein were allotted to the members of the Consultative Committee of Economists for preparing memoranda. The reason why the questionnaires drawn up by the subcommittees other than those concerned with Trade and Tariffs and Agriculture were not circulated to this Committee was that while the Consultative Committee of Economists covered the whole range of reconstruction problems, this Committee was concerned with only a part of them.

On a question put by Sir Chunilal Mehta, the Chairman explained that Finance and Transport were not included in the terms of reference of this Committee.

Dr.Gregory said that no separate Reconstruction Committee was set up to deal with Finance because at the time when these committees were constituted - that was a year ago - it was felt that the international monetary position was so obscure and depended to such an extent on the probable alignment of the United States that the time had not yet come to constitute a Reconstruction Committee for Finance. But there was no intention to overlook it or to refer to this Reconstruction Committee the functions properly belonging to a Finance Reconstruction Committee. If those questions came up, they would have to be remitted to a separate committee. As regards Transport, he said that the Government of India had yet to give a ruling as to whether this Committee was to deal with transport questions or whether there ought to be a separate Transport Reconstruction Committee. The Chairman said that he had taken note of Sir Chunilal Mehta's suggestion that this Committee should deal also with Finance and Transport and he would see that the Government of India's orders are obtained on the point.

Mr.Mubool Mohmud inquired whether the programmes which were circulated were intended to indicate the lines of work of this Committee. The Chairman replied that they were

only illustrative documents and were not binding on this Committee.

Sir F.E.James said that it was necessary to know the precise line of demarcation between the functions of this Committee and of the Consultative Committee of Economists. If that was known, this Committee could then consider how far the programme of work drawn up by the Consultative Committee of Economists was adequate and on the right lines. There were a number of items in that programme on which authoritative information would first have to be collected; in the absence of such information this Committee would not be in a position to express an opinion on those items. The Chairman said that the Committee was not expected at this meeting to find answers but only to frame issues. As regards the demarcation of functions, he explained that both the Consultative Committee of Economists and this Committee covered exactly the same ground though not to the same extent; the former covered the whole range of issues connected with post-war reconstruction, while this Committee covered only one fourth or one fifth of them. There was thus no question of demarcation between this committee and the Consultative Committee of Economists, but there was a distinction between the functions of this Reconstruction Committee and those of the other Reconstruction Committees. He added that this Committee would draw up its own programme of work independently of the programme drawn up by the Consultative Committee of Economists.

The Chairman then asked the Committee to consider the statement which was circulated to members regarding the conclusions of yesterday's discussion as summed up by the Finance Member.

Sir Tracy Gavin Jones said that the first paragraph of the statement was indefinite and that he had understood the Finance Member to say that the firm's contribution would be repaid within one year and the Government's quota within

three years in three annual instalments. He added that he would like this observation to be passed on to the Finance Member that unless it was definitely stated that the amounts would be paid back within a period not exceeding three years, the scheme would not be a success. He emphasized that it was a matter of co-operation between Government and industry.

Mr.Turner said that the Finance Member did accept three years as a reasonable period. Sir George Morton did not agree that three years were mentioned and did not consider it essential that they should be specified in the conclusions of the meeting. Mr.G.L.Mehta, however, expressed the opposite view. Sir George Morton suggested that the date referred to in the first paragraph of the statement should be amplified as a definite date related to the termination of hostilities. The Chairman accepted the suggestion and proposed a rewording of the first paragraph as follows:-

" Firstly, it is desired that there should be a definite date after the termination of hostilities by which all these refunds will have been made, say three years." It was proposed that the words "after the termination of hostilities" should be inserted after "say, one year" in the second paragraph also. Sir Tracy Gavin Jones said that the expression "not exceeding three years" would make the meaning clearer. He said, further, that industry would like to have an assurance that the refunds would be exempted not only from Excess Profits Tax but from any other tax. The Chairman asked Sir Tracy Gavin Jones whether the point he wished to make was that the non-liability of refunds to Excess Profits Tax should also apply to any other war taxation beyond the present levels of incometax and super tax. Sir George Morton said that the point he had made on the previous day was that the refunded amount should be free of tax. He added that they would like to know that it would not be subjected to a tax at a higher rate than the rate to which it is subjected today excluding Excess Profits Tax. Mr.G.L.Mehta said that he had also raised this point with reference to a question put by Sir Henry Richardson in the

Assembly.

The Chairman said that the verbal amendments in the statement of conclusions suggested by the members would be submitted to the Finance Member for his approval. He gave an assurance that the other points made by the members would be placed on record and would be brought to the notice of the Finance Member.

At this stage, some of the members said that they had not received a copy of the Press Note dated the 24th June regarding the constitution of the Reconstruction Committees. Copies of the Press Note and the Economic Adviser's Memorandum on India's Economic Position at the end of the war were then distributed to members.

The Chairman then called upon Mr.Tyson to make his remarks on the questionnaire drawn up by the Agriculture subcommittee of the Consultative Committee of Economists.

Mr.Tyson said that he proposed to explain only the reactions of the Education, Health & Lands Department to the questionnaire prepared by the Agriculture subcommittee. The Education, Health & Lands Department believed that this Reconstruction Committee was mainly concerned with international trade policy,and agricultural developments were to be viewed by this Committee from an international point of view. The main task before this Committee was to consider how Indian agriculture could fit in with the probable developments in the international sphere in the postwar period. Considered from that point of view, there was a good deal in the programme prepared by the Agriculture Subcommittee which the Education, Health & Lands Department did not expect to find placed before this Reconstruction Committee. A further point in this connection was that the Member in-charge of the Education, Health & Lands Department had himself in contemplation the setting up of a committee to consider the whole problem of overhauling India's agriculture not merely on the basis of its relations with other countries but internally as well. That was a much wider subject than

the topic which the Education, Health & Lands Department thought the Reconstruction Committee was going to deal with.

Mr.Tyson then suggested the following deletions from the programme of work drafted by the Agriculture Subcommittee in order to adapt it for the purpose of the Reconstruction Committee. All items in paragraph 2 except 2(b) — These, he said, concerned the war period rather than the postwar period and were also mainly the concern of the Provincial Governments, e.g. 2(a)(i) Government assistance in the collection of rent arrears from tenants during the absence of the landlord. Mr.Tyson said that 3(a) was a very suitable subject as it definitely related to India's trade with the outside world after the war. Under 3(b), he suggested that this Committee might deal with items (i) to (iv), but he was very doubtful if (v) and (vi) need be considered by this Committee. As regards 3(c) to 3(c), he said that these were long term problems and the Education, Health and Lands Department would prefer them to be left to the Agricultural Committee which their Member proposed to set up. Mr.Tyson added that the Hon'ble Member in charge of the Education, Health and Lands Department was on tour and he had not yet fixed the terms of reference of his own Committee, but from the discussions which he had with the Hon'ble Member Mr.Tyson could only say that he did intend to fix very wide terms of reference for his Committee on Agriculture.

Dr.Gregory explained that the meeting of the Agriculture Subcommittee took place some months before Mr.Sarker contemplated his Committee.

Mr.Advani suggested that as the programme prepared by the Agriculture Subcommittee was not binding on this Committee, the members of this Committee should divide themselves into subcommittees and draw up their own programme. The Chairman replied that he appreciated the point but as the document was prepared before the discussions between the Commerce and the Education, Health and Lands Departments were completed, he would like to hear the views of the mem-

bers on the various items included in it. On a question put by Mr.Hossain Imam, the Chairman said that it was made quite clear in the terms of reference that this Committee was to deal only with "the trade, industrial and agricultural aspects of the immediate postwar situation" and not with long-term adjustments.

Sir F.E.James said that the Committee should discuss some preliminary considerations before trying to dissect the draft agenda which had been put up by the Committee of Economists. He thought that one very important consideration which the Committee should either now or later address itself to was the effect of the provisions of the Atlantic Charter to which support had been given by the British Commonwealth of Nations and the United States of America. All those problems should form the basis of this Committee's study. Secondly, inasmuch as it was now understood for the first time that the Government in the Department of Education, Health and Lands proposed to set up a separate Committee to deal with the internal development of agriculture, all the items connected with that topic should be excluded from the consideration of this Committee. In regard to agriculture, Sir Frederick suggested that the Committee should confine itself to a study of the export of India's agricultural products and the probable relation to these of postwar developments, again bearing in mind the Atlantic Charter. If a start was made in that direction, Sir Frederick thought that the Committee could produce a very suggestive and useful programme of work and it would then be the duty of the Committee in general to see that it was carried out by whatever machinery that might be set up.

The Chairman said that it would be better to ascertain first what were the problems which the Committee could discuss before discussing the impact of the Atlantic Charter upon them. On this point, he observed that Sir Frederick could be said to support the view that this Committee should only be concerned with items 2(b), 3(a) and 3(b)(i) to 3(b)(iv).

Sir George Morton pointed out that although the subject referred to in 2(a)(i) was a Provincial matter, it was one on which this Committee should be able to make recommendations to the Provinces.

Mr.Hossain Imam said that reconstruction could not be started on a clean slate. If a man went to fight and on his return found himself deprived of all his land and property, there would be nothing to be reconstructed. Mr. Imam continued that the problems of the war and the postwar periods were so closely inter-related that the two could hardly be separated from each other. He added that reconstruction must go on even during the war especially on items specifically mentioned in 2(a)(i) (ii) (iii) and (iv).

The Chairman said that these subjects properly belonged to the Reconstruction Committee on Labour and Demobilisation. Mr.Imam suggested that it should be recorded as the decision of this Committee that these items should be referred to the Reconstruction Committee on Labour and Demobilisation. This suggestion was adopted.

Sir F.E.James referred to 2(b) and suggested that a specific reference should be made in that item to the effects of a relative rise or fall in the prices in the domestic market as compared with those in the export market.

Mr.Sapru asked how 3(b)(iii) - nutritional problems - could be considered to be an immediate postwar problem. Mr. Tyson said that both Mr.Kharegat and himself thought that it should be left to the Education, Health & Lands Committee.

Mr.G.L.Mehta pointed out that if this Committee was to deal only with the immediate postwar situation, then "crop planning" in 3(b) could not be said to belong to this Committee. He said that in his view the problems of the war and the postwar periods as well as the long term problems were so closely inter-related that it was not possible to separate them.

The Chairman proposed that this Committee should for

the present concentrate only on 2(b) and 3(a) which were obviously of most direct interest to the Committee and should leave the question of extending our interests in the direction of war problem over the rest** of this particular field to a later date. This proposal was adopted.* The Chairman then asked whether these two items needed any amplification.

Sir Chunilal Mehta suggested that as proposed by Sir Frederick James, the question of prices referred to in 2(b) should be dealt with not merely from the point of view of internal prices but from the point of view of the relation between these and international prices. Dr.Gregory said that at the end of the war there would probably be a high level of internal prices and a high level of international prices and the question would be how to deal with a situation of that kind.

It was agreed that item 2(b) required further amplification. There was general agreement that it was rather ambiguous as it stood. Referring to 3(a), Sir Chunilal Mehta said that the question as it stood was entirely incomplete. What the Committee ought really to investigate was whether India should adhere to international agreements for the purpose of orderly marketing of staple crops and if so on what basis and on what terms. As a matter of fact, the U.S.A. Government did try to see that India produced less and less of cotton. The Government of India also received a communication and an invitation to the conference which was held in Washington and the Government of India nominated their New York Agent as one of the members, but nothing came out of it. U.S.A. being a very large grower of raw commodities like cotton and wheat, was trying to see that India reduced her crops so that in the export market India might not compete with her. This was only the preliminary step. Sir Chunilal said that he would not be surprised to hear that this point had been brought before this Committee at the instance of U.S.A. There should be a complete investigation as to the desirability of entering into such agreements and on what lines and under what circumstances. This was a very deep problem. U.S.A. had

** Please *(See Appendix)

been making efforts and trying to capture South American markets also. Two years ago there was a conference at the Cotton Exchange in Bombay at which a businessman from New York, Mr. Schwabe was present. A great deal of discussion took place on this subject and the consensus of opinion at that time was that no effort should be made to reduce the Indian cotton crop. Of course at that time there was no problem of relieving the surplus of short staple cotton because the Japanese market was not lost. The problem was very different now.

The Chairman said that the point which Sir Chunilal Mehta raised was important and wanted further opinions on that. Mr.Dabke said that the point was covered by the "Treaty Policy" in the programme drawn up by the Trade Subcommittee.

Sir F.E.James said that the real point to be examined under this head was the probable international trends and the position of India with regard to any international agreements that might be suggested or enforced relating to marketing, prices, exports and control of production of various crops in India, including the staple crops.

Sir Gavin Jones said that the Committee was drifting into details and was parting from broad issues. In his opinion, the whole question dealt with in 2-b and 3-a related to the maintenance of prices. He said that it was necessary that the Committee should lay down ~~the~~ broad principle which could be worked out by any subcommittee. It would serve no purpose to throw the whole burden on the smaller subcommittee. He suggested that the Committee should first come to a decision as to the policy which the Government should follow to ensure either that agricultural prices were maintained, or, if they had to be raised or dropped, that they were controlled by international agreements. A tremendous lot depended upon the international situation. Sir Tracy said that the Committee really

wanted a lead from Dr.Gregory or from somebody from the Government side as to what was really going to happen. He then went on to discuss the Lease and Lend Bill which, he said,was a veritable revolution in economics. It signified this, first of all that no country could trade with the other except by exchange of goods. That was the first thing. Then it also signified that the importing country could give a pledge that it would take goods but the exporting country was not obliged to give them. Another part of the lease and lend Bill was that exchange agreements were made under which exchanges were kept more or less fixed. An attempt was thus made to maintain the price level insofar as the price level depended on the export market. The economic situation was going to be completely different after the war to what it was before the war. Sir Tracy suggested that the Committee should lay down here a broad policy that agricultural prices should be maintained. That, he said, was the crux of the whole thing. Before the war, India was facing a crisis because of the tremendous fall in the price level of primary products. Now one of the international arrangements was that the primary producer not only in India but in all other countries would have to get a fair deal from the manufacturer.

Dr.Gregory said that a large part of the questionnaire was drafted before the Lease and Lend Bill assumed the present form and he agreed that the agricultural situation both during and after the war was going to be very considerably influenced by the extent to which the various countries were prepared to take the surpluses of each other. He also agreed with the view that the maintenance of agricultural price was going to be the crux of the situation not only for India but also for Australia, South Africa and even for U.S.A. herself. This question of valorisation had been specifically put in the questionnaire because of the great pressure that was being exerted before and during the war to persuade other countries to go into valorisation

agreements. This was going to become a matter of first class importance for us in India to make up our minds as to the terms and conditions on which valorisation agreements, which were after all, only price agreements, could be effected in the postwar period. As regards the view that prices of agricultural products ought to be kept as high as possible, Dr.Gregory drew attention to the effect of high prices on our competitive position in the export market particularly in regard to short staple cotton as against staple fibre and artificial silk products. Dr.Gregory suggested that it might be desirable that this Committee should look at the problem in the light of (a) valorisation and (b) special exchange agreements.

A subcommittee was then formed consisting of the following members, to draw up a programme of work in regard to the agricultural aspects of the immediate postwar situation.

1. Dr.T.E.Gregory Chairman.
2. Mr.P.M.Kharegat.
3. Mir Muqbool Mohmud..
4. Sir Chunilal B.Mehta.
5. The Hon'ble Mr.Hossain Imam.

Mr.G.L.Mehta suggested that the nature of the schemes for which Government contribution should be paid during the first twelve months should be one of the immediate items of work in the programme of this Committee. The Chairman said that this should be taken as settled.

The consideration of the programme of work relating to Trade and Tariffs drawn up by the Consultative Committee of Economists was then taken up. The Chairman invited general observations. Mr.Advani made the following three suggestions: Firstly, as the industries which had started during the war would need not merely tariff protection but also financial assistance for their rehabilitation in the postwar period, the question of industrial finance should be included in the agenda. Secondly, the question of making adequate statistics available regarding industrial production and internal trade movements should be examined. Thirdly, some means should be

devised for getting more adequate commercial intelligence about the trade conditions in other countries.

With regard to the second suggestion, the Chairman said that the Government was hoping to make definite progress in that respect as a result of the operation of the new Statistics Bill.

Sir C.B.Mehta and Mr.G.L.Mehta asked for a clarification of the expression "technical content to be given to the doctrine of discriminating protection" used in 2(i)(a) of the questionnaire of the Trade and Tariffs Subcommittee. Sir Chunilal said that the commercial community had always suggested a thorough revision of the entire fiscal policy of the Government on the basis of what was called in America a scientific tariff policy.

The Chairman said that the intention was to refer to the whole tariff policy and this part of the questionnaire would be redrafted so as to make the intention clear.

Sir Chunilal Mehta suggested that the Committee should study the tariff policy of the United States of America, the duties and functions of the Tariff Commission there and the way in which other countries had tried to develop their industries. Mr.Dabke supported this suggestion. The Chairman said that it was hardly practicable for the whole Committee to embark on these researches but individual members might study and produce the results for the benefit of their colleagues.

Dr.Sir Ziauddin Ahmad suggested two additions under 2(c) — (i) control of prices in protected industries and (ii) co-ordination of the policies of the Central and Provincial Governments in regard to protected industries. The suggestions were accepted.

Dr.Gregory promised to have a memorandum prepared in due course on the tariff making machinery of the United Kingdom and the United States of America and to circulate

it to members.

Sir Chunilal Mehta repeated his suggestion that Transport, Finance and Currency and Exchange should be included in the terms of reference of this Committee. The Chairman promised to obtain the orders of the Government of India on the point.

Mr.Muqbool Mohmud said that some procedure should be evolved for co-ordinating the work of this Committee with that of the Consultative Committee of Economists; either by arranging for the memoranda prepared by the experts on the latter Committee to be discussed in this Committee or by arranging for joint meetings of the two Committees on important issues. The Chairman gave an assurance that this point would be very carefully considered by Government.

It was decided to postpone a meeting of the Agricultural Subcommittee for the present till Mr.Tyson was able to discuss with the Hon'ble Member in charge of the Education, Health & Lands Department the division of functions between the Reconstruction Committee and the Committee on Agriculture to be appointed by the Education, Health & Lands Department.

A subcommittee called Trade and Tariffs Subcommittee consisting of the following members was then formed to draw up a programme of work in regard to trade and tariffs in the immediate postwar period.

1. The Hon'ble Sir Alan Lloyd Chairman.
2. Sir George Morton.
3. Mr.G.L.Mehta.
4. Mr.K.C.Neogy.
5. Mr.V.Vedavyasacharya.
6. Dr.T.E.Gregory.

The proceedings then terminated.

Appendix

Programme of work drafted by the Agriculture Sub-Committee of the Consultative Committee of Economists {It was agreed that the items marked with an asterisk were outside the scope of the Reconstruction Committee (Trade International Trade Policy and Agricultural Policy)}.

---

1. It was decided to divide the subject matter under two heads:-

(i) The immediate war and post-war position.
(ii) The Long Term Adjustment of Indian agriculture to Indian and World trends.

2. Under the first head, it was agreed that the following topics required investigation:-

* (a) The structure of rights over agricultural land in India in the post-war period.

In certain provinces, the soldier (and, in due course the returned soldier) requires to be protected in his rights in the land; what forms of protective measures are necessary, such as:-

(i) Government assistance in the collection of rent arrears from tenants during the absence of the landlord.

(ii) Extension of the period of leases or time-limits for the payment of rents or revenues.

(iii) Extension of the period of pending suits by money-lenders.

(iv) Protection of the rights of minors?

(b) The immediate post-war price situation.

If agricultural prices show a marked rise or decline after the cessation of hostilities, what will be the best way of meeting the situation?

3. Under the second head, it was agreed that the following topics required investigation:-

(a) The adhesion of India to international agreements for the "orderly marketing" or "valorisation" of staple crops (e.g. wheat, cotton etc.)

(b) "Crop-planning", in relation particularly to:-

(i) The problem of finding alternative crops in place of those for which there is likely to be an inelastic or diminishing demand, e.g. short-staple cotton, and the problem of finding alternative uses for existing crops.

(ii) The production of "secondary crops" for the development of existing and new agricultural industries (e.g. canning industry).

* (iii) Nutritional problems, and, in view of population pressure, the production of heavy yielding crops such as rice, potatoes, pulses and soya-beans.

* (iv) Development of mixed farming and marketing of dairy produce at distant places.

* (v) The fuller exploitation of the available productive powers of human labour and cattle power.

* (vi) The extent to which each region should aim at self-sufficiency in regard to agricultural products.

* (c) <u>The "Planning of Agriculture" in relation to</u>

(i) An examination of the structure of rights and interests in land including problems of tenancy, tenure, debt and transfer of land.

(ii) Problems of unemployment and underemployment among the cultivators with special reference to (a) Legislation regarding uneconomic holdings and (b) development of intensive and mechanised farming.

(iii) Improvement of the economic position of agricultural labourers

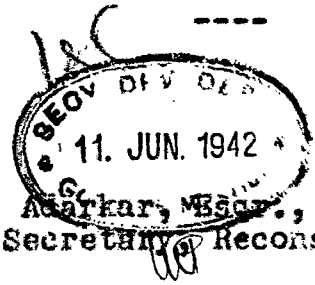
(iv) Social experiments in collective and co-operative farming as alternatives to individual cultivation of the soil and the degree to which Government can undertake or encourage such experiments and

(v) The co-ordination of efforts aiming at preserving the heritage in soil, forests and waters such as erosion control, afforestation, land reclamation etc. Is it practicable to work out a policy of an "Ever-normal Granary" in India?

* (d) A re-examination of the problems involved in the financing of agriculture.

* (e) Suggestions towards improvements in agricultural statistics.

No. 1-R.C.(2)/42-I
Government of India
Department of Commerce
RECONSTRUCTION COMMITTEES.



New Delhi, the 5th June 1942.

From

B.N. Adarkar, Esqr., M.A.(Cantab),
Secretary, Reconstruction Committees,

To

V. Vedavyasacharya, Esqr.,
Secretary, Development Department,
Government of Mysore, Bangalore.

Subject :- Proceedings of the Trade & Tariffs Sub-Committee of the Reconstruction Committee (Trade, International Trade Policy & Agricultural Policy) held on the 23rd May 1942 at New Delhi.

Sir,

I am directed to send herewith the draft Proceedings of the Trade & Tariffs Sub-Committee of the Reconstruction Committee (Trade, International Trade Policy and Agricultural Policy) with a request that your comments, if any, on the draft may kindly be communicated to this office as early as possible.

I have the honour to be,
Sir,
Your most obedient servant,

Secretary,
Reconstruction Committees.

D/G.

The Trade and Tariffs Sub-Committee of the Reconstruction Committee (Trade, International Trade Policy and Agricultural Policy).

--

The meeting was held on the 23rd May 1942 at 3 P.M. in Room No.115, Commerce Department.

The following were present :-

The Hon'ble Sir Alan Lloyd : Chairman.
Sir George Morton.
Dr.T.E. Gregory.
Mr.G.L. Mehta.
Mr.K.C. Neogy.
Mr.V. Vedavyasacharya.

2. The attached questionnaire was adopted.

3. It was agreed that copies of the text of the Atlantic Charter and the Anglo-American Provisional Agreement of February 1942 (Lease/Lend) should be circulated to the members of the Sub-Committee.

4. It was agreed, further, that Mr.P.B.Advani who had suggested the inclusion of industrial finance in the questionnaire should be requested to formulate a question for the consideration of the Sub-Committee.

5. Mr.G.L. Mehta's suggestion that the Committee should take up immediately the consideration of the nature of schemes to be approved by Government for the purposes of the repayment of Government's Contribution during the first twelve months after the termination of hostilities, was accepted.

6. As regards procedure, the Chairman said that no decision had yet been reached on the point. His provisional views were that the questionnaire would be circulated to members of the Committee only in the first instance and at the next meeting of the full Committee, members would be requested to take up subjects for the preparation of memoranda. The Committee would prepare its report on the basis of the memoranda received from the members. The Government of India's orders would be obtained as to the desirability of sending out the questionnaire to non-official bodies. The members of the Committee would be consulted in regard to procedure either by a meeting or by correspondence.

*Original questionnaire drawn up by the Consultative Committee.

Questionnaire drafted by the Trade and Tariffs Sub-Committee of the Consultative Committee of Economists.

I Tariffs, Subsidies and Protective Policy --

(a) What will be the possible repercussions upon India as a trading entity of the recent developments in the international field such as the Atlantic Charter and the Anglo-American Provisional Agreement of February 1942 (Lease/Lend) ?

(b) What should be the objectives which it is sought to attain by the use of tariffs and bounties (including anti-dumping measures) in India in the post-war period and what modifications would thereby be involved in the existing policy of discriminating protection?

(c) What modifications, if any, will the machinery of tariff-making require in the post-war period?

(i) Functions;
(ii) Composition:
(iii) Tenure.

(d) What should be the relations between protected industries and the State in respect of -

(i) Control of profits and prices;
(ii) Participation in profits;
(iii) Social conditions of labour;
(iv) Apprenticeship;
(v) Administrative supervision and control by the State of protected industries;
(vi) Fostering of technical progress;
(vii) Co-ordination of the policies of the Central and Provincial Governments and Governments of Indian States in regard to protected industries?

(e) To what extent, if any, should wartime control over exports and imports be continued?

II. Export policy -

(a) Should the export policy of the Government of India in the post-war period take the form, in the main, of maintaining the principle of freedom of private enterprise or should Government, as a matter of principle, encourage alternative schemes such as bulk-sales for exports (and bulk-purchases for necessary imports) ?

(b) To what extent should Government envisage aid to export interests by means of -

(i) Export-credit schemes;
(ii) Adherence to regional pacts as regards exports of manufactures and/or raw materials (i.e. division of export-markets);
(iii) Export subsidies; and
(iv) Export-cartels?

(c) To what extent should India adhere to international pacts for the quantitative regulation of exports and/or the production of basic and other raw materials?

(d) To what extent are India's fundamental economic interests best met, so far as concerns substitute materials which enter into competition with Indian products by (i) the manufacture of such commodities within India and (ii) pursuing

price and tariff policies designed to maintain the market for the natural products of Indian soil?

III. Treaty olicy -

Given the various possibilities of the post-war situation, should India choose :-

(a) a policy of complete autonomy, i.e. no trade treaties?

(b) a policy of conditional, or, alternatively, unconditional most-favoured treatment, only?

(c) adherence to the Imperial Preferential System, if any, and with what modifications?

(d) bi-lateralism of the Continental type?

IV. Internal Trade Problems -

(a) How can internal trade be developed so as to provide large and expanding markets for the products of our industries and of agriculture?

(b) What impediments exist at present in the way of the internal trade of India and how best they can be removed (e.g. octrois, transport difficulties, lack of advertisement and propaganda)?

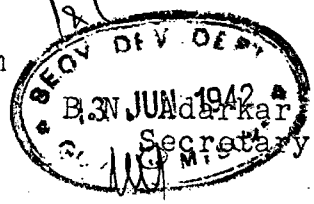
V. What steps should be taken to expand and improve the existing machinery for the collection of information about overseas trade developments?

Government of India.
Department of Commerce.
RECONSTRUCTION COMMITTEES.

By Regd Post

New Delhi, the 6th June 1942.

From



B.N. Adarkar, Esquire, M.A.(Cantab),
Secretary, Reconstruction Committees,

To

All members of the Reconstruction Committee
(Trade, International Trade Policy & Agricultural Policy).

Sir,

I am directed to say that at the first meeting of the Trade and Tariffs Sub-Committee (Trade, International Trade Policy & Agricultural Policy) held at New Delhi on the 23rd May 1942, a suggestion was made that copies of the texts of the Atlantic Charter and the Anglo-American Agreement of February 1942 might be circulated to the members of the Committee. I am accordingly to forward herewith copies of the two documents for your information.

I have the honour to be,
Sir,
Your most obedient servant,

Adarkar

Secretary,
Reconstruction Committees.

Text of the Atlantic Charter
of August 14, 1941

"The President of the United States and the Prime Minister, Mr.Churchill, representing his Majesty's Government in the United Kingdom, being met together, deem it right to make known certain common principles in the national policies of their respective countries on which they base their hopes for a better future for the world.

1. Their countries seek no aggrandizement, territorial or other.

2. They desire to see no territorial changes that do not accord with the freely expressed wishes of the peoples concerned.

3. They respect the right of all peoples to choose the form of Government under which they will live; and they wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them.

4. They will endeavour, with due respect for their existing obligations, to further enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity.

5. They desire to bring about the fullest collaboration between all nations in the economic field, with the object of securing for all improved labour standards, economic advancement, and social security.

6. After the final destruction of Nazi tyranny, they hope to see established a peace which will afford to all nations the means of dwelling in safety within their own boundaries, and which will afford assurance that all the men in all the lands may live out their lives in freedom from fear and want.

7. Such a peace should enable all men to traverse the high seas and oceans without hindrance.

8. They believe all of the nations of the world, for realistic as well as spiritual reasons, must come to the abandonment of the use of force. Since no future peace can be maintained if land, sea, or air armaments continue to be employed by nations which threaten, or may threaten, aggression outside of their frontiers, they believe, pending the establishment of a wider and permanent system of general security, that the disarmament of such nations is essential. They will likewise aid and encourage all other practicable measures which will lighten for peace-loving peoples the crushing burden of armament."

Text of the Anglo-American Agreement
of February 23, 1942.

Whereas the Governments of the United Kingdom of Great Britain and Northern Ireland and the United States of America declare that they are engaged in a cooperative undertaking, together with every other nation or people of like mind, to the end of laying the bases of a just and enduring world peace securing order under law to themselves and all nations;

And whereas the President of the United States of America has determined, pursuant to the Act of Congress of March 11, 1941, that the defence of the United Kingdom against aggression is vital to the defence of the United States of America;

And whereas the United States of America has extended and is continuing to extend to the United Kingdom aid in resisting aggression;

And whereas it is expedient that the final determination of the terms and conditions upon which the Government of the United Kingdom receives such aid and of the benefits to be received by the United States of America in return therefor should be deferred until the extent of the defence aid is known and until the progress of events makes clearer the final terms and conditions and benefits which will be in the mutual interests of the United States of America and the United Kingdom, and will promote the establishment and maintenance of world peace;

And whereas the Governments of the United States of America and the United Kingdom are mutually desirous of concluding now a preliminary agreement in regard to the providing of defence aid and in regard to certain considerations which shall be taken into account in determining such terms and conditions, and the making of such an agreement has been in all respects duly authorized, and all acts, conditions and formalities which it may have been necessary to perform, fulfil or execute prior to the making of such an agreement in conformity with the laws either of the United States of America or of the United Kingdom have been performed, fulfilled or executed as required;

The undersigned, being duly authorized by their respective Governments for that purpose, have agreed as follows:-

ARTICLE 1. - The Government of the United States of America will continue to supply the Government of the United Kingdom with such defence articles, defence services, and defence information as the President shall authorize to be transferred or provided.

ARTICLE 2. - The Government of the United Kingdom will continue to contribute to the defence of the United States of America and the strengthening thereof, and will provide such articles, services, facilities, or information as it may be in a position to supply

ARTICLE 3. - The Government of the United Kingdom will not, without the consent of the President of the United States of America, transfer title to, or possession of, any defence article or defence information transferred to it under the Act, or permit the use thereof by anyone not an officer, employee or agent of the Government of the United Kingdom.

Article 4. - If, as a result of the transfer to the Government of the United Kingdom of any defence article or defence information, it becomes necessary for that Government to take any action or make any payment in order fully to protect any of the rights of a citizen of the United States of America who has patent rights in and to any such defence article or information, the Government of the United Kingdom will take such action or make such payment when requested to do so by the President of the United States of America.

ARTICLE 5 - The Government of the United Kingdom will return to the United States of America at the end of the present emergency, as determined by the President, such defence articles transferred under this Agreement as shall not have been destroyed, lost, or consumed, and as shall be determined by the President to be useful in the defence of the United States of America or of the Western Hemisphere or to be otherwise of use to the United States of America.

ARTICLE 6 - In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom, full cognizance shall be taken of all property,

services, information, facilities, or other benefits or considerations provided by the Government of the United Kingdom subsequent to March 11, 1941, and accepted or acknowledged by the President on behalf of the United States of America.

ARTICLE 7 - In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration (Cmd. 6321) made on August 12, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom. At an early convenient date conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments.

ARTICLE 8 - This Agreement shall take effect as from this day's date. It shall continue in force until a date to be agreed upon by the two Governments.

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

General and Revenue Secretariat.

No. D.S. 63 *Dated, Bangalore,* 27th J u n e 1942.

FROM V.Vedavyasacharya, Esq., B.A.,
Secretary to the Government of His Highness the Maharaja of Mysore.
Development Department.

To
The Secretary,
Reconstruction Committee,
Department of Commerce,
Government of India, NEW DELHI.

S i r,

I am directed to acknowledge with thanks the receipt of the Draft Proceedings of the first meeting of the Reconstruction Committee No. 4 and of the Trade and Tariffs Sub-Committee of the said Reconstruction Committee received with your letters of the 5th June and to state that I have no comments to make on the Drafts.

I am also to say that I am in receipt of copies of the texts of the Atlantic Charter and Anglo-American Agreement of February 1942.

I have the honour to be,
Sir,
Your most obedient servant,

27/6/42
Secretary to Government,
Development Department.

DRAFT.

For formal action issue. The receipt of the final copy of the proceedings will be awaited.
(Min Law).

Issued
27/6/42

8/7/42

TSS.

(Seen by the Min. Law.)

Copy of letter D.O.No.P.443 dated 26th September 1941 from the Registrar, University of Mysore, Mysore to Mr. P. Mahadevayya, camp: Mysore.

--:oOo:--

With reference to your letter of the 25th instant to the Vice Chancellor ing for a copy of the agenda for tomorrow's meeting, I am desired to state he meeting was adjourned specifically to consider further the subject the meeting, it was not considered necessary to mention specifically any as being before the meeting.

As all the members present will be aware, the subject for further consideration is the following:-

B.Sc., Honours Examination in Botany of 1940-41.

i. Council resolution dated the 9th August 1941,
ii. Letter No.744/C.B. dated 27-8-41 from the General Secretary to Government of Mysore to the Vice Chancellor.
iii. Further proceedings of the enquiry,
iv. Report of the Vice Chancellor,
v. Mr. Mahadevayya's letter dated 11th September 1941 to the Vice Chancellor
vi. The Vice Chancellor's remarks on Mr. Mahadevayya's letter of 11-9-1941.

th regard to the two propositions which you desire to move at tommorrow's tig, I am to say that they will be placed before the meeting in the usual rse, and will be taken up for consideration, if the members so decide, after consideration of the above subject is over.

Yours sincerely,
Sd. C.S. Pichamuthu.

No.P.443-455. Encl: One letter. Dated: 26th Septr: 1941.

Copy of the above is forwarded, with compliments, to the Members of the together with a copy of Mr.Mahadevayya's letter of 25-9-41 iversity Council for information.

Chas Pichamuthu

REGISTRAR.

Copy of Mr. P. Mahadevayya's letter dated 25th September 1941 addressed to he Vice-Chancellor, University of Mysore, Mysore.

--:oOo:--

As I desire to move the following Special Propositions at the Special Meeting of the University Council to be held on the 27th instant, I request you to place them before the Council on the said date:-

I. That as the University Law does not provide for the exact procedure to be adopted, in case of a difference of opinion on any subject between the Vice-Chancellor and the University Council, a recommendation be sent up to Government to suitably amend the law;

N.B. I brought this proposition before the Meeting of the University Council on 19-7-41, but the Vice-Chancellor disallowed it by saying that no such instance had occurred. On the same day, the Council passed a Resolution unanimously on an important subject, but the Vice Chancellor took a different view and sent a dissenting minute to Government after a few days.

II. That as the Rules of Business relating to the Meetings of the University Council do not provide for the exact procedure to be adopted, in cases of controversies arising between the Vice Chancellor and a Member or some Members of the Council, a recommendation be sent up to Government to suitably amend the Rules in this respect. I also request you to send me a copy of the Agenda for the Meeting on the 27th instant.

UNIVERSITY OF MYSORE

Proceedings of the adjourned special meeting of the University Council held in the University Office, Mysore, on Saturday the 27th September 1941, at 12:30 p.m.

Present:

Rajakaryapravina
Mr.N.S.Subba Rao, B.A.,Bar-at-Law.,
Vice-Chancellor and Chairman.

1. Mr. Mirle N. Lakshminaranappa, B.A.,LL.B.,
2. Rajasevasakta Mr.B.K. Narayana Rao, B.A.,M.B.C.M.,L.R.C.P.,M.R.C.S., D.P.H., D.O.,
3. Dr.B.Sanjiva Rao,M.A.,Ph.D.,
4. Mr.J.C. Rollo, M.A.,J.P.,
5. Mr.A.B.Mackintosh, M.A.,Dip.Edn.,J.P.,
6. Dr.J.F.Robinson,B.A.,M.D.,F.R.C.S.E.,
7. Rajadharmapravina Diwan Bahadur Mr.P.Mahadevayya,B.A.,B.L.,
8. Mr.N.Balakrishnaiya, B.A.,LL.B.,
9. Miss M.C.Albuquerque, L.R.C.P.,M.R.C.S.,L.M.,F.C.O.G.,

Dr.C.S.Pichamuthu,B.Sc.,Ph.D.,F.R.S.E.,F.G.S.E.,
Registrar and Secretary.

Absent:

1. Mr.M.Sultan Mohiyuddin, M.A.,LL.B.,M.Ed.,
2. Mr.K.B.Madhava,M.A.,R.F.A.S.,A.I.A.,
3. Mr.Gulam Ahmed Kalami.

Mr.Mahadevayya suggested that the para on the first page of the draft proceedings - "Mr.B.K.Narayana Rao said that the item on the agenda i.e., the "Report of the Vice-Chancellor" and Mr.Mahadevayya's letter to the Vice-Chancellor dated 11th September 1941 and the latter's remarks thereon should be taken up first and that all these questions may be taken up in their proper place." - should come on page 2 after the para -"Mr. Mahadevayya drew attention to the paragraph of the Vice-Chancellor's letter to the University Council Members dated the 26th July, in which he promised to supply to the Council necessary data for such further action or enquiry as the Council might decide upon, after receipt of the decision of the Government on his reference. Mr. Mahadevayya contended that in sending a report, the Vice-Chancellor had not fulfilled his promise to the University Council, and he moved that this view be accepted by the House."

This was rejected by four votes against one.

Mr. Mahadevayya then spoke for about 45 minutes making remarks of an introductory character, and said that within the additional 15 minutes offered to him

could not speak on the proposition for want of time. He also pointed out that no copies of the proceedings of the meeting of the 23rd September had been sent to him though he had asked for it in his letter of the 26th instant. The Vice-Chancellor said that copies could not be sent earlier since the statement promised by Mr. Mahadevayya was received only on the 27th morning.

Mr. Hirle Lakshminaranappa's proposition that this Council resolves that "all allegations and imputations against the Vice-Chancellor contained in the letter of Mr. Mahadevayya dated the 11th September 1941 are wholly unjustified and therefore be expunged from the records," was then put to vote and passed, - 6 voting for 2 against, and 1 neutral.

Mr. Balakrishnaiya then moved the following resolution:-

"This Council resolves that the Vice-Chancellor has insulted the three honourable members of this Council who have been charged by this Council to help him in this enquiry by dropping them down at the mere protest of the Professor, with which he did not agree, and thus owes an apology to those members and to this Council."

Mr. Lakshminaranappa moved that leave should not be given to move this resolution because of two earlier resolutions of the Council held on the 9th August and 23rd September 1941.

Mr. Balakrishnaiya said that no permission was necessary when the subject matter referred to the main business under discussion.

The question as to whether the proposition could be moved was put to vote and lost, three voting for and six against.

The Report of the Vice-Chancellor on the conduct of the B.Sc.,Hons: Examination (in Botany) 1941, was then considered:

A discussion ensued and the following members spoke in the order given:-

F.T.O.

he

1. Mr.A.B.Mackintosh,
2. Dr.B. Sanjiva Rao,
3. Dr.Robinson,
4. Mr.Mahadevayya,
5. Miss M.C.Albuquerque,
6. Dr.B.K.Narayana Rao,
7. Mr.J.C.Rollo,
8. Mr.Mirle N.Lakshminaranappa,
9. Mr.N.Balakrishnaiya,

The following specific questions were then put to vote:-

1. Did Mr.S.K.Narasimhamurthy help illicitly the candidates generally in the Practical Examination of the Botany Hons: Examination of 1941?

Yes .. 7
No .. 1
Mr.Balakrishnaiya did not vote.

II. Did Mr.Alwar Iyengar present another student's library records as his own?

Yes .. 5
No .. 4

III. Did Mr. Alwar Iyengar get illicit help from Mr.M.A.Sampathkumaran in the practical examination?

Yes .. 6
No .. 2

Mr.A.B.Mackintosh did not vote.

IV. Was Dr. Sampathkumaran aware that his son was presenting some other student's library notes as his own?

Yes .. None
No .. 9

V. Did Dr.Sampathkumaran become aware that his son had so presented, and endeavour to cover traces of it?

Yes .. 3
No .. 5
One did not vote.

VI. Is the University Council satisfied with Dr. Sampathkumaran's maintenance of record of marks for class work?

Yes .. None
No .. 7
Neutral .. 2

VII. Is the University Council satisfied with Dr.M.A. Sampathkumaran's procedure in putting Mr.S.K.Narasimhamurthy to assist in the Practical Exam

Yes .. None.
No .. 7
Neutral.. 2

VIII. Is the University Council convinced that Dr. Sampathkumaran interfered with the evidence of his subordinates before the Vice-Chancellor?

Yes .. 5
No .. 4

IX. Is the University Council satisfied with Dr. Sampathkumaran's attitude towards the University Council and the Vice-Chancellor?

Yes .. None
No .. 6
Rest not voting.

X. Is the University Council convinced that the candidate No.163, had access to inside information as regards the question papers (theory) of the Botany Hons: Examination?

Yes .. 3
No .. 5
One member did not vote.

---

uestion of the action to be taken was then considered:-

. Regarding Mr. Alwar Iyengar.

r. J.C. Rollo moved that the results of candidate No.163 in the Botany Hons: amination of 1941, be cancelled and that he be debarred from the University Exaation of 1942.

Mr. Mackintosh proposed that the words "and that he be debarred from the Uniity Examination of 1942" be omitted:

T mendment was put to vote:

For .. 2
Against .. 7 L O S T.

Mr. Rollo's proposition was put to vote and passed - six voting for and three ainst.

r. Balakrishnaiya's proposition to debar the candidate permanently was put to d lost - two voting for and seven against.

"Resolved that a Practical Examination according to the present scheme p ll candidates:"

and